



CITY OF FERGUS FALLS, MINNESOTA

Comprehensive Annual Financial Report

For the Fiscal Year Ended

December 31, 2020

Prepared by:

Department of Finance

Finance Director:

William K. Sonmor

CITY OF FERGUS FALLS
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For the Fiscal Year Ended December 31, 2020
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May 24, 2021

The Citizens of the City of Fergus Falls
Honorable Mayor and Members of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

The Comprehensive Annual Financial Report of the City of Fergus Falls for the fiscal year ended December 31, 2020, is hereby submitted as mandated by local ordinance and State statute. Such mandates require that the City of Fergus Falls issue, annually, a complete set of financial statements presented in conformity with United States Generally Accepted Accounting Principles (GAAP) and audited in accordance with United States Generally Accepted Auditing Standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Fergus Falls. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Fergus Falls has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Fergus Falls' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Fergus Falls' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Fergus Falls' financial statements have been audited by BerganKDV, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Fergus Falls for the fiscal year ended December 31, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Fergus Falls' financial statements for the fiscal year ended December 31, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (M D & A). This letter of transmittal is designed to complement M D & A and should be read in

conjunction with it. The City of Fergus Falls' M D & A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Fergus Falls was organized as a municipal corporation in 1872 and operates under a Home Rule Charter. The Charter prescribes a Mayor-Council form of government. The Council exercises the legislative powers of the City and determines all matters of policy. The City code mandates a four-year term for the Mayor and four-year terms for the eight Council Members. Two Council Members are elected from each of four wards and the Mayor is elected by the voters of the City at large.

The City Administrator is the chief administrative officer of the City and is responsible for performing all administrative functions of the City, for carrying out the policies and ordinances of the Council, and for overseeing the day-to-day operations of the City.

The City of Fergus Falls is the County Seat of Otter Tail County and is located in West Central Minnesota on Interstate Highway 94. Noted for the natural beauty of its trees and parks, the City is situated on the Otter Tail River and has 6 lakes and 27 parks within its boundaries. The City is approximately 15.74 square miles and has a population of 13,766.

The City of Fergus Falls provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Certain sanitation services are provided through the City's Waste Management, Sewage Disposal, Water, and Storm Water operations. The City of Fergus Falls is also financially accountable for two legally separate non-profit organizations, which are reported separately with the City of Fergus Falls' financial statements. Additional information regarding the legally separate entities can be found in Note 1A, in the notes to the financial statements.

The City of Fergus Falls is a regional center for government, business and retail trade, medical care, education, culture, and recreation. It is the home of the Otter Tail Power Company, Lake Region Healthcare Corporation, Prairie Wetlands Learning Center, M-State, and A Center for the Arts.

The City established the Fergus Falls Port Authority in 1985 as the economic development arm of the City responsible for the monitoring of existing businesses and providing assistance for expansion, as well as development of new business and industry opportunities. The City contracts with the Greater Fergus Falls Corp. to promote the economic development of the City.

The annual budget serves as the foundation of the City of Fergus Falls' financial planning and control. All departments of the City of Fergus Falls are required to submit requests for appropriations to the City Finance Director by July 1 of each year. The Finance Director uses these requests as a starting point for developing a proposed budget. The proposed budget is then submitted to a tax levy committee composed of the Mayor, City Administrator, and a member of the Council appointed by the Council. The tax levy committee then recommends a proposed budget to the City Council for approval prior to September 30. Public meetings are held to obtain taxpayer input and a final budget is adopted by the City Council and certified to the County Auditor prior to December 31, the close of the City of Fergus Falls' fiscal year. The appropriated budget is prepared on a fund and department basis. Department heads of the City

may make budgetary transfers between line items within departmental budgets. Transfers of appropriations between departments, however, require the approval of the City Council. Budgets were adopted for the following funds: General fund; the Port Authority, Public Library, Bigwood Event Center, Revolving Loan, Tax Increment Districts, and Tax Abatement special revenue funds; the G.O. Port Authority 2019A, Permanent Improvement Revolving, G.O. Capital Improvement 2010A, G.O. Capital Improvement 2012C, and G.O. Sales Tax Revenue 2017A debt service funds; and Operations and Airport Capital Improvement capital projects funds. Budget-to-actual comparisons are provided in this report for each individual city fund for which an appropriated annual budget has been adopted. For the General fund and Port Authority special revenue fund, this comparison is presented on pages 40 - 41 as part of the basic financial statements for the governmental funds. For governmental funds, in addition to the General fund and Port Authority special revenue fund, with appropriated annual budgets, this comparison is presented in the governmental fund section of this report, which starts on page 132.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Fergus Falls operates.

State of Minnesota. According to the February 2021 Minnesota Budget and Economic Forecast, the pandemic-induced economic downturn that began in February of 2020 brought severe disruptions to Minnesota's economy. The budget situation for Minnesota had improved significantly by the time of the February 2021 forecast. Minnesota's General Fund balance at the end of the current biennium (2020-21) is expected to be a surplus of \$940 million and grow to a surplus of \$1.571 billion for the next biennium (2022-23).

Local economy. The City of Fergus Falls continues to experience economic growth in spite of the pandemic. The housing market is strong for both existing homes and new construction. Several area businesses were closed or severely impacted during 2020 because of the pandemic. Federal aid distributed to local businesses, either directly or through City and County government, has assisted businesses to remain and begin to reopen in 2021.

Over the past few years, the City has experienced a downturn and loss of traditional big-box retail stores. The local economy contains a diversified economic base, consisting of industries and services, including several smaller in size, which are able to withstand economic downturns. The City contains a balanced mix of businesses, which reduces the risk of concentration within sectors. Major industries with headquarters or divisions located within the City's boundaries include healthcare, electric and natural gas utilities, various manufacturers, and numerous financial, insurance, and legal professionals. The City of Fergus Falls is a regional center, the county seat for Otter Tail County, and the home to various State and Federal offices. The City is seeing increased interest in the central business district, building on the current variety of stores, specialty shops and commercial businesses.

According to the MN Department of Employment and Economic Development, the City of Fergus Falls has a total employment of approximately 9,334 jobs and an annual average 2020 unemployment rate of 5.1 percent as compared to 6.2 percent for the State of Minnesota and 8.1 percent for the United States. The labor force draws workers from up to 75 miles from Fergus Falls.

Long-term financial planning. The City performs long-range financial planning with the annual budget process. The long-range plans include governmental-type and business-type activities. The City considers current operations, estimated inflation, expected growth trends, and estimated capital improvements. The long-range planning process enables the City to project future needs and to estimate the financial impact and funding implication for future years. Annually, the City analyzes all enterprise operations and implements applicable rate adjustments to maintain profitability. The goal of the analysis is to maintain fair and equitable rates, which provide stability of operations and support all required capital improvements.

Financial policies. The City's fund balance policy recommends the General fund maintain an unassigned fund balance of 35-40 percent of the subsequent year's budgeted working capital expenditures. The unassigned fund balance is \$6,031,039 as of December 31, 2020. This amount represents 49.7 percent of the 2021 budgeted working capital expenditures.

Major initiatives.

The City Council has prioritized and continues to invest in the following:

- Fergus Falls is fortunate to have the Otter Tail River running directly through the City. The City Council desires to invest in, and revitalize the downtown area while capitalizing on the river as an economic driver. The City has designed improvements to the downtown riverfront area. During 2021, construction will begin on the first phase of the project. Phase 1 will include a 3-season river market structure, parking lot improvements, a plaza area, trails, and balconies overlooking the river. The second phase of the project will include a splash pad, parking lot improvements, a plaza area, trails, and a bridge crossing the river providing connection to an existing river trail. The City was awarded \$1.75 million by the State of Minnesota during the 2020 Legislative Session. Various donors have also pledged funds to the project.
- The City and Fergus Falls Port Authority have worked cooperatively to purchase a former dairy processing site located along the Otter Tail River. Demolition and site cleanup will be completed during 2021, which will prepare the site for development. An area along the river will be preserved and developed into a trail system providing connectivity to the downtown riverfront improvements as well as State and regional trails.
- The City updated a pavement management plan. The City Council has prioritized infrastructure and has implemented a 20 percent increase to the street overlay and seal coat budgets for both 2019 and 2020.
- Various reconstruction projects to streets and infrastructure were completed or in progress during 2020. Scheduled equipment within the City's fleet is replaced on an annual basis. During 2021, the City will also be replacing the in-ground water reservoir located at the City's water treatment plant.

The City obtained ownership of the Regional Treatment Center campus from the State of Minnesota effective June 30, 2007. Two parcels of the campus have been sold to a developer from the region. The developer has been remodeling the buildings for market-rate multi-family housing and assisted living facilities. During 2018, 2019, and 2020, the City deconstructed buildings and tunnels that did not contribute to the historic significance of the campus. The City continues to market the remaining facility with the goal of future redevelopment.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fergus Falls for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019. This was the 29th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Members of the department have our sincere appreciation for their contributions to, and assistance in, the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fergus Falls' finances.

Respectfully submitted,



Andrew Bremseth
City Administrator



Bill Sonmor
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fergus Falls
Minnesota**

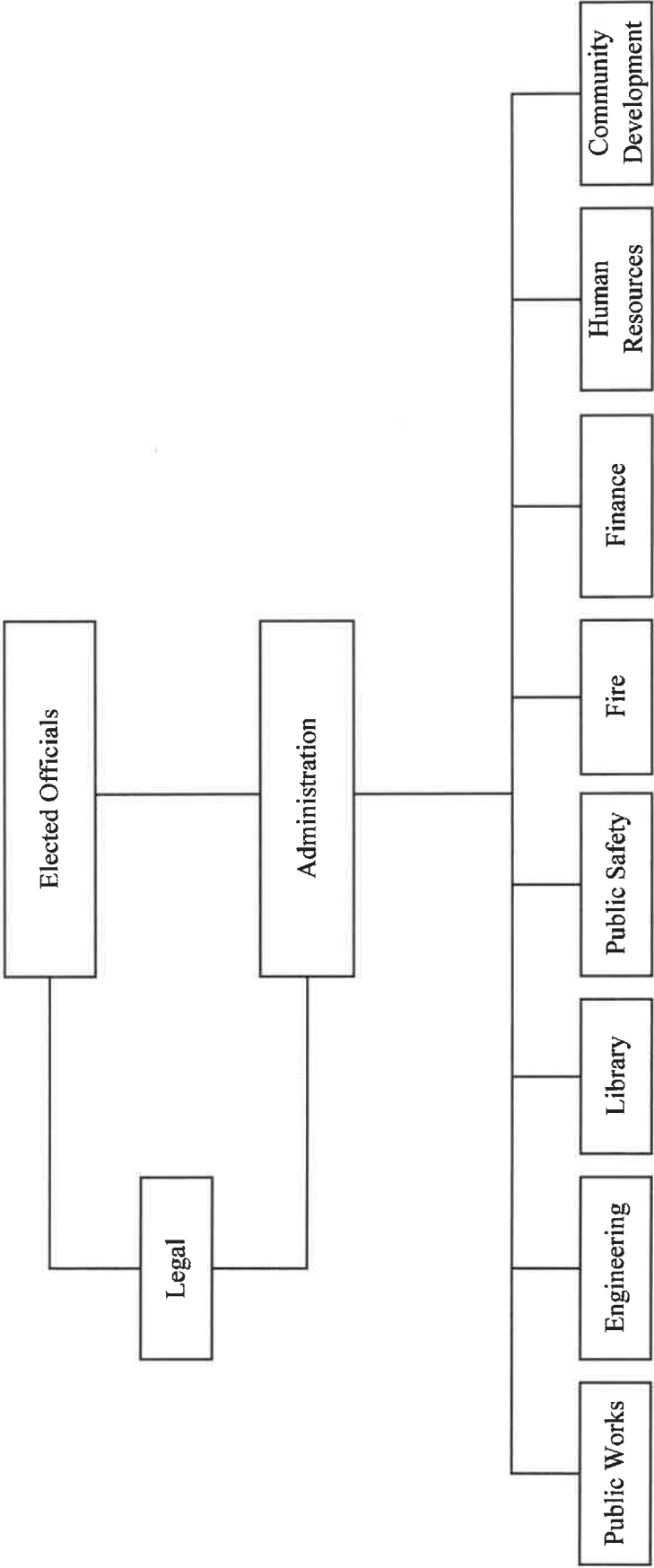
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO

CITY OF FERGUS FALLS ORGANIZATIONAL CHART



CITY OF FERGUS FALLS
List of Principal Officials

Elected Officials

Mayor	Ben Schierer
Council Member – Ward 1	Jim Fish
Council Member – Ward 1	Krista Hagberg
Council Member – Ward 2	Scott Kvamme
Council Member – Ward 2	Tom Rufer
Council Member – Ward 3	Justin Arneson
Council Member – Ward 3	Brent Thompson
Council Member – Ward 4	Karoline Gustafson
Council Member – Ward 4	Anthony Hicks

Appointed Officials

City Administrator	Andrew Bremseth
Assistant to Administrator	Lynne Olson
Finance Director	William Sonmor
Assistant Finance Director	Sandy Cunningham
City Engineer	Brian Yavarow
Public Works Director	Len Taylor
Chief of Public Safety	Kile Bergren
Chief of Fire Department	Ryan Muchow
Human Resources Director	Mike Hartwell
Library Director	Gail Hedstrom
City Attorney	Rolf Nycklemoe

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City of Fergus Falls' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and the Port Authority Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fergus Falls' basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2021, on our consideration of the City Fergus Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fergus Falls' internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
May 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fergus Falls, Minnesota, we offer readers of the City of Fergus Falls' financial statements this narrative overview and analysis of the financial activities of the City of Fergus Falls for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Fergus Falls exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$136 million. Of this amount, \$32.6 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6.2 million.
- As of the close of the current fiscal year, the City of Fergus Falls' governmental funds reported combined ending fund balances of \$22.2 million. Approximately 59 percent of this total amount, or \$13 million, is available for spending at the City's direction and policies.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$6 million, or 46.6 percent of total General fund expenditures.
- The City of Fergus Falls' total debt decreased by \$1.63 million from 2019 to 2020. The City and the Fergus Falls Port Authority issued bonds during 2020 and paid annual principal payments on long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Fergus Falls' basic financial statements. The City of Fergus Falls' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Fergus Falls' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Fergus Falls' assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Fergus Falls is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Fergus Falls that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fergus Falls include general

government, public safety, streets and highways, sanitation, airport, culture and recreation, community development, economic development and interest on long-term debt. The business-type activities of the City of Fergus Falls include Waste Management, Liquor Store, Sewage Disposal, Water Department and Storm Water operations.

The government-wide financial statements include not only the City of Fergus Falls itself (known as the primary government), but also legally separate nonprofit organizations for which the City of Fergus Falls is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 28 - 31 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fergus Falls, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fergus Falls can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Fergus Falls maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Port Authority special revenue fund, the G.O. Port Authority 2019A debt service fund, and the Operations capital projects fund, all of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fergus Falls adopts an annual appropriated budget for its General fund and the Port Authority special revenue fund. Budgetary comparison statements have been provided for the General fund and Port Authority special revenue fund to demonstrate compliance with the individual fund budgets.

The basic governmental fund financial statements can be found on pages 32 - 41 of this report.

Proprietary funds. The City of Fergus Falls maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide

financial statements. The City of Fergus Falls uses enterprise funds to account for its Waste Management, Liquor Store, Sewage Disposal, Water Department, and Storm Water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Fergus Falls' various functions. The City of Fergus Falls uses internal service funds to account for its fleet of vehicles and for its health insurance premiums. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waste Management, Liquor Store, Sewage Disposal, Water Department, and Storm Water operations, all of which are considered to be major funds of the City of Fergus Falls. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 42 - 51 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fergus Falls' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the fiduciary funds are provided in the form of combining statements elsewhere in this report. The basic fiduciary fund financial statement can be found on pages 52 - 53 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54 - 105 of this report.

Other information. Required supplementary information regarding the postemployment healthcare plan and pensions can be found on pages 108 - 117 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the notes to the financial statements and required supplementary information. Combining and individual fund statements and schedules can be found on pages 120 - 155 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City of Fergus Falls, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$136,274,250 at the close of the most recent fiscal year.

City of Fergus Falls' Net Position

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$33,586,915	\$31,006,157	\$28,421,174	\$26,250,441	\$62,008,089	\$57,256,598
Capital assets	74,225,413	74,794,819	36,990,582	37,101,680	111,215,995	111,896,499
Total assets	107,812,328	105,800,976	65,411,756	63,352,121	173,224,084	169,153,097
Deferred outflows of resources	1,703,691	2,562,097	165,106	195,986	1,868,797	2,758,083
Long-term liabilities outstanding	21,539,655	22,151,960	9,011,412	9,170,391	30,551,067	31,322,351
Other liabilities	2,619,674	2,733,899	562,480	560,315	3,182,154	3,294,214
Total liabilities	24,159,329	24,885,859	9,573,892	9,730,706	33,733,221	34,616,565
Deferred inflows of resources	4,953,562	6,824,581	131,848	392,646	5,085,410	7,217,227
Net position:						
Net investment in						
capital assets	61,241,331	60,231,474	31,732,617	32,084,209	92,973,948	92,315,683
Restricted	8,420,628	7,751,389	2,261,802	2,074,052	10,682,430	9,825,441
Unrestricted	10,741,169	8,669,770	21,876,703	19,266,494	32,617,872	27,936,264
Total net position	\$80,403,128	\$76,652,633	\$55,871,122	\$53,424,755	\$136,274,250	\$130,077,388

By far the largest portion of the City of Fergus Falls' net position (68.2 percent) reflects its investment in capital assets (e.g., land, intangible assets, buildings and systems, improvements other than buildings, machinery and equipment, and infrastructure; net of depreciation); less any related debt, used to acquire those assets, that is still outstanding. The City of Fergus Falls uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fergus Falls' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Fergus Falls' net position (7.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$32.6 million, may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Fergus Falls is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The City's net position increased by \$6.2 million during the current fiscal year. This increase resulted from the receipt of capital grants for street infrastructure, airport improvements, and demolition and cleanup of the dairy site. The City departments also reduced spending through the City in response to the COVID-19 pandemic. The City's investment portfolio experienced higher than anticipated investment earnings. The business-type activities also experienced profitability, which contributed to the increase in net position.

Governmental activities. Governmental activities increased the City of Fergus Falls' net position by \$3,750,495. Explanations regarding the increase and significant changes in governmental activities were as follows:

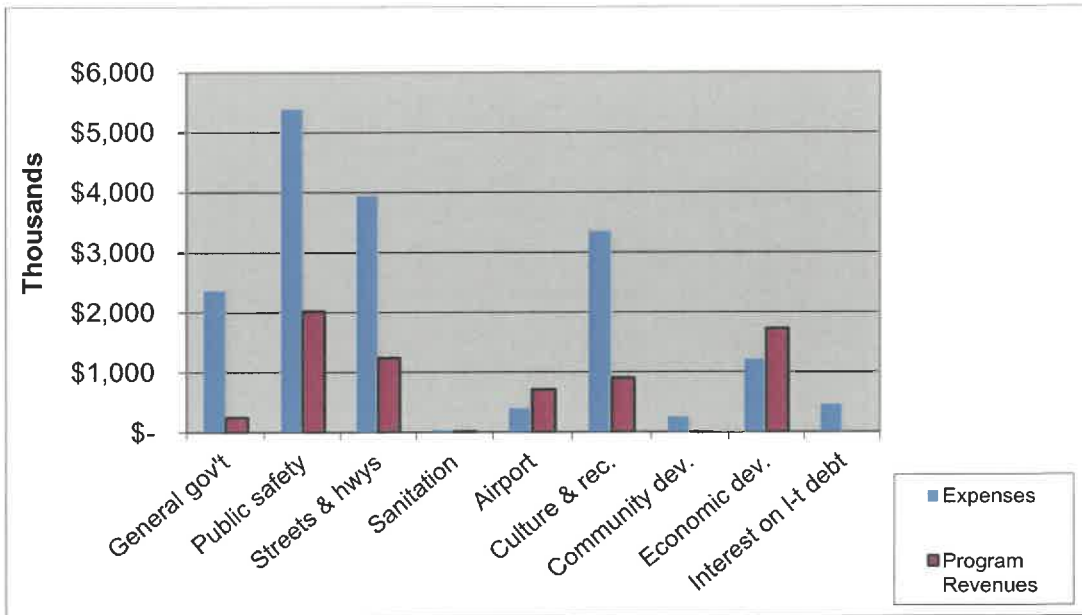
- The operating grants increased during 2020 from the receipt of the Coronavirus Relief Aid in the amount of \$1,035,703. The public safety expenditures increased with the expenditure of the relief aid.

- The capital grants decreased \$3.3 million from 2019 to 2020. The majority of the second phase demolition at the RTC was performed in 2019. The State of Minnesota funded the demolition and about \$2 million was included in capital grants during 2019 as compared to \$457,000 in 2020. The City also received a one-time State Library Grant of \$1 million in 2019 for the library expansion project.
- The City levied a property tax of \$6.6 million for 2020. This levy was an increase of 3.73 percent over 2019.
- The local option sales tax has increased each year since the implementation in 2018.
- The lodging tax decreased 34 percent during 2020 due to the impact of the COVID-19 pandemic on the hospitality industry. The corresponding Community Development expenditures also decreased in 2020 for the lodging tax paid over to the Fergus Falls Convention and Visitor's Bureau.
- Tax increment revenue increased 19 percent from 2019 to 2020. The increase was the result of tax increment collections based on full value of new districts.
- The investment earnings for the governmental-type activities totaled \$602,071. The investment portfolio earned a return of 5.60 percent including an increase in fair value of \$876,662 during 2020. During 2019 the investment portfolio earned a return of 5.37 percent including an increase in fair value of \$672,117.
- The public safety expenditures increased as the result of expenditures related to the Coronavirus Relief aid.
- The streets and highways expenses decreased from 2019 to 2020. The Lincoln Avenue and College Way mill and overlay projects were substantially complete at the end of 2019.
- Culture and recreation expenditures were less in 2020 compared to 2019. The City cancelled most recreation programs due to the COVID-19 pandemic.
- During 2019, the City performed the majority of phase 2 demolition of the RTC. The phase 2 demolition was substantially complete in 2020 and resulted in the decrease in economic development expenses for 2020.
- The interest on long-term debt increased in 2020 for the interest payments on the G.O. Port Authority Bonds, Series 2019A and the City G.O. Bonds, Series 2019B.
- The City transferred funds from the business-type activities to the governmental activities to provide funding for various operating and capital expenditures.
- The 2019 special item was the result of the transfer of the Tower Road bridge to Otter Tail County during 2019.

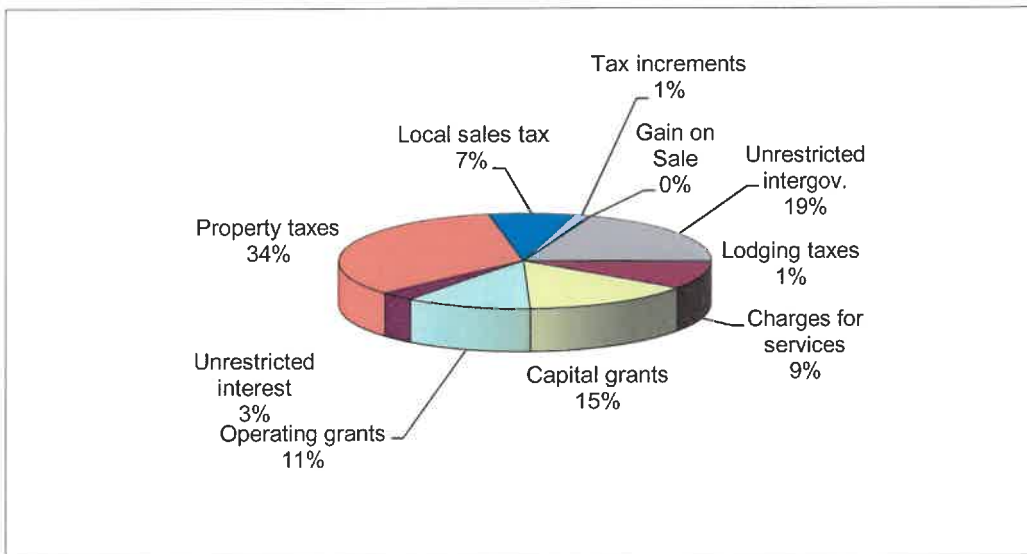
City of Fergus Falls' Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$1,846,299	\$1,840,922	\$16,621,580	\$15,064,196	\$18,467,879	\$16,905,118
Operating grants and contributions	2,132,844	1,030,504			2,132,844	1,030,504
Capital grants and contributions	2,865,669	6,175,745			2,865,669	6,175,745
General revenues:						
Property taxes	6,627,148	6,372,652			6,627,148	6,372,652
Local option sales tax	1,430,063	1,354,084			1,430,063	1,354,084
Lodging taxes	90,992	138,668			90,992	138,668
Tax increments	257,208	216,458			257,208	216,458
Intergovernmental	3,765,510	3,675,370			3,765,510	3,675,370
Unrestricted investment earnings	602,071	676,972	1,061,379	1,001,404	1,663,450	1,678,376
Gain on sale of capital assets	39,995	4,279			39,995	4,279
Total revenues	\$19,657,799	\$21,485,654	\$17,682,959	\$16,065,600	\$37,340,758	\$37,551,254
Expenses:						
General government	\$2,367,778	\$2,346,537			\$2,367,778	\$2,346,537
Public safety	5,390,190	4,732,107			5,390,190	4,732,107
Streets and highways	3,947,363	5,956,562			3,947,363	5,956,562
Sanitation	43,650	48,671			43,650	48,671
Airport	401,828	390,983			401,828	390,983
Culture and recreation	3,354,503	3,756,250			3,354,503	3,756,250
Community development	263,089	295,167			263,089	295,167
Economic development	1,219,034	2,779,698			1,219,034	2,779,698
Interest on long-term debt	470,878	336,125			470,878	336,125
Waste Management			3,141,171	3,055,260	3,141,171	3,055,260
Liquor Store			6,488,734	5,561,035	6,488,734	5,561,035
Sewage Disposal			1,883,245	1,895,252	1,883,245	1,895,252
Water Department			1,733,887	1,767,086	1,733,887	1,767,086
Storm Water			438,546	430,426	438,546	430,426
Total expenses	\$17,458,313	\$20,642,100	\$13,685,583	\$12,709,059	\$31,143,896	\$33,351,159
Increase (decrease) in net position before special item and transfers	\$2,199,486	\$843,554	\$3,997,376	\$3,356,541	\$6,196,862	\$4,200,095
Special item		(7,641,790)				(7,641,790)
Transfers	1,551,009	1,477,392	(1,551,009)	(1,477,392)		
Increase (decrease) in net position	\$3,750,495	(\$5,320,844)	\$2,446,367	\$1,879,149	\$6,196,862	(\$3,441,695)
Net position - 01-01-20	76,652,633	81,973,477	53,424,755	51,545,606	130,077,388	133,519,083
Net position - 12-31-20	\$80,403,128	\$76,652,633	\$55,871,122	\$53,424,755	\$136,274,250	\$130,077,388

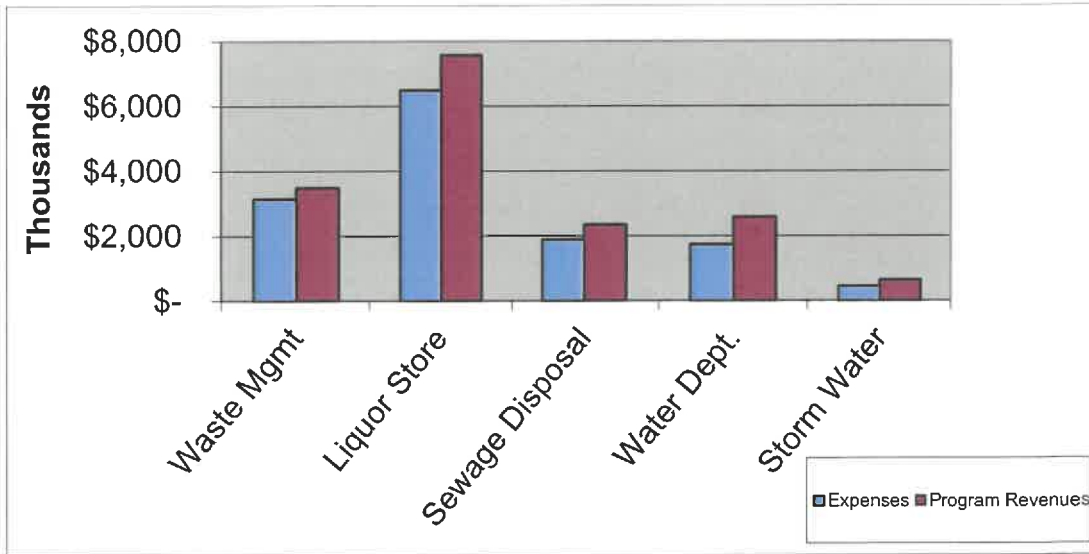
Expenses and Program Revenues – Governmental activities



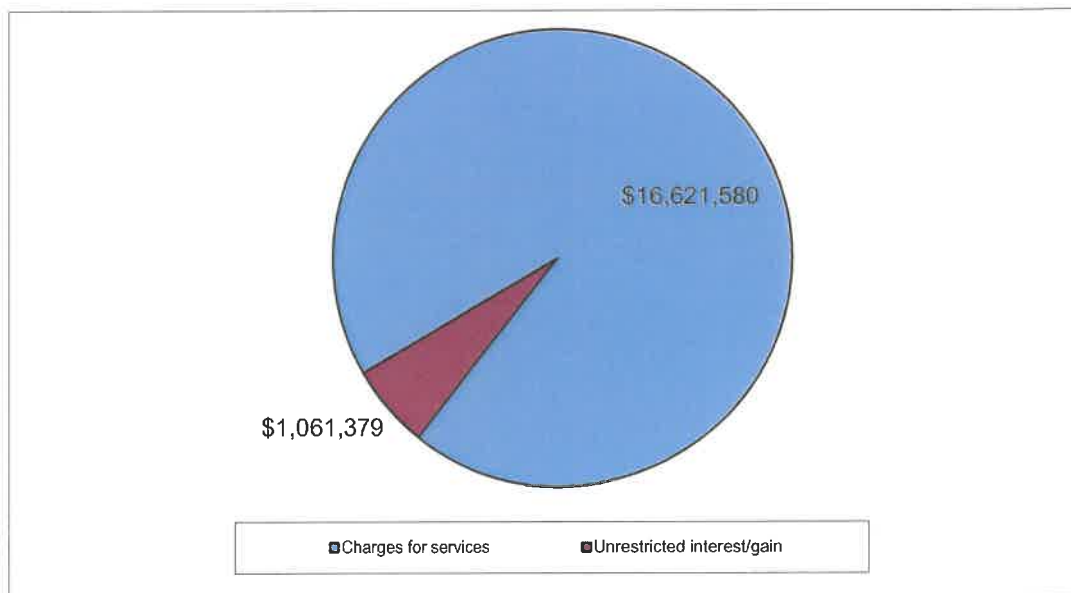
Revenues by Source – Governmental activities



Expenses and Program Revenues – Business-type activities



Revenue by Source – Business-type activities



Business-type activities. Business-type activities increased the City of Fergus Falls' net position by \$2,446,367 for the current fiscal year. Significant changes in business-type activities were as follows:

- The charges for services increased \$1,557,384 or about 10 percent from 2019 to 2020. The City adjusted rates for the Waste Management, Water Department and Storm Water funds effective January 2020. The Sewage Disposal rates were adjusted effective April 2020. The Liquor Store sales increased about 20 percent over 2019.
- The investment earnings for the business-type activities totaled \$1,061,379 for 2020. The investment portfolio experienced an investment return of 5.60 percent including an increase in fair value of \$876,662 during 2020. During 2019, the investment portfolio earned a return of 5.37 percent including an increase in fair value of \$672,117.
- The 2020 expenses for the business-type activities were comparable to the prior year, with the exception of the Liquor Store. The Liquor Store experienced higher sales during 2020, which caused an increase in the cost of goods sold as well as some operating expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City of Fergus Falls uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Fergus Falls' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fergus Falls' financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Fergus Falls' governmental funds reported combined ending fund balances of \$22,156,864, an increase of \$2,333,527, in comparison with the prior year. Approximately \$6 million or 27.2 percent of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is categorized according to availability and restriction. See Note 3 on page 75 for the detailed information regarding fund balances. Approximately 1.0 percent or \$216,656 of the total fund balance is classified as nonspendable, representing resources that are not in spendable form or are legally or contractually required to be maintained intact. Approximately 40 percent or \$8,895,565 of the total fund balance is classified as restricted to indicate that it is constrained by external sources or enabling legislation. Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council are classified as committed fund balance and comprise 2.5 percent of the total fund balance or \$563,160. Fund balance amounts that are constrained by the City Council's intent are classified as assigned fund balance and comprise 29.1 percent of the total fund balance or \$6,450,444.

The General fund is the chief operating fund of the City of Fergus Falls. At the end of the current fiscal year, unassigned fund balance of the General fund was \$6,031,039, while the total fund balance was \$10,185,580. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. Unassigned fund balance represents 46.6 percent of the total General fund expenditures, while the total fund balance represents 78.8 percent of that same amount.

The fund balance of the City of Fergus Falls' General fund increased by \$1,526,895 during the current fiscal year. Key factors in this increase are as follows:

- The investment earnings were \$240,476 more than budgeted as noted with the performance of the investment portfolio.
- Capital outlay that was budgeted, but carried forward for future year purchases amounted to \$344,000.
- The City budgets for benefits owed to employees upon separation of employment. The 2020 allocation of \$78,000 will be carried forward for future benefits owed.
- The City departments were instructed to decrease expenditures throughout the City during 2020 to prepare for funding shortfalls related to the COVID-19 pandemic.
- The City issued the G.O. Bonds, Series 2020A which included \$449,903 of proceeds for the purchase of a fire truck to replace Engine No. 2. The bond proceeds were received, but will not be expended until 2021.

The Port Authority fund had a total fund balance of \$2,550,363 as of December 31, 2020. Of the total fund balance, \$452,759 is restricted for the Community Behavioral Health Hospital (CBHH) operations and capital maintenance. The remaining fund balance of \$2,097,604 is assigned for Port Authority economic development purposes. The net increase in fund balance during the current year was \$1,108,140. The increase was the result of the issuance of general obligation bonds and federal grant revenues for the demolition and cleanup of the dairy site. The demolition and cleanup expenses are accounted for in the property held for resale as the Port Authority intends to sell the property for future park development and private development.

The G.O. Port Authority 2019A debt service fund was established for the payment of principal and interest on the G.O. Port Authority Bonds, Series 2019A. The fund had a total fund balance of \$41,167 as of December 31, 2020, all of which is restricted for the payment of debt service. The fund balance is the result of unexpended lease payments pledged to the bonds.

The Capital Projects Operations fund had a total fund balance of \$1,528,736 as of December 31, 2020. Of the total fund balance, \$453,079 is restricted contributions for the library expansion project (\$441,001) and unexpended G.O. PIR Bonds, Series 2019B (\$12,078). The remaining fund balance of \$1,075,657 is assigned for future capital projects and debt service on improvement bonds. The net decrease in fund balance during the current year was \$828,384. The decrease resulted from transfers out for debt service payments and project expenditures.

Proprietary funds. The City of Fergus Falls' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for the proprietary funds at the end of the year was as follows:

- Waste Management net position of \$874,954.
- Liquor Store net position of \$1,458,412.
- Sewage Disposal net position of \$10,354,890.
- Water Department net position of \$5,293,380.
- Storm Water net position of \$1,628,569.

The total change in net position for proprietary funds was an increase of \$2,280,527. The net increase was the result of positive operations in all proprietary funds and increased investment earnings. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City of Fergus Falls' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget during 2020 were an increase of \$1,485,612 in appropriations (expenditures and transfers out) and can be briefly summarized as follows:

- \$1,026,446 increase from unexpended 2019 capital outlay carried forward to 2020.
- \$64,152 increase from 2019 unexpended forfeiture funds carried forward to 2020 and a \$43,219 increase for the receipt of 2020 forfeitures.
- \$73,686 increase to carry forward funding for future payments of benefits owed upon retirements.
- \$92,404 increase to the transfers out and street infrastructure budgets to provide project funding to the Operations capital project fund.
- \$43,275 increase to the property abatement budget from the unexpended 2019 budget.
- \$20,000 increase to the planning department budget for a State grant received for the RTC master plan. \$41,500 was also carried forward from the unexpended 2019 budget for the RTC master plan.
- \$7,500 increase to the planning department budget for a West Central Initiative grant received for a bike and pedestrian master plan.
- \$27,230 increase to the parking lot maintenance budget from the unexpended 2019 budget.
- \$16,000 increase to the traffic signals budget from the unexpended 2019 budget for an LED pedestrian light conversion project.
- A net increase of \$30,200 miscellaneous adjustments for various programs.

When comparing the 2020 actual results with the final budget, variances in revenues and expenditures are noted as follows:

- The lodging tax collections were down 36% from the budget due to the impact of the COVID-19 pandemic.
- The City received \$1,035,703 of Coronavirus Relief Aid which was not included within the 2020 budget.
- The City received \$222,102 of unbudgeted intergovernmental State revenues restricted for street maintenance projects. The City anticipated a \$600,000 LCCMR grant within the 2020 budget. The grant will be received in 2021 upon the purchase of a portion of the dairy property by the City from the Port Authority.
- The City received investment earnings of \$240,476 in excess of the budget based on investment portfolio performance.
- City departments were instructed to reduce expenditures throughout the City in anticipation of financial impacts related to the COVID-19 pandemic. City departments generally underspent the 2020 budget with the exception of public safety. The emergency management expenditures exceeded the budget due to the expenditure of the Federal Coronavirus Relief Aid described above.
- The Economic Development expenditures exceeded the budget as a result of costs associated with maintenance and holding the Regional Treatment Center property (\$12,742).
- A positive variance was experienced in capital outlay, which will be carried forward to future budgets. The City accumulates capital outlay funds over a number of years as a saving mechanism to provide funding for anticipated projects.
- The City issued \$400,000 of G.O. bonds with a premium of \$49,903 for the purchase of a fire truck. The fire truck was ordered, but the expenditure will take place in 2021. The purchase price of the truck is included as a commitment within Note 3. C.

Capital Asset and Debt Administration

Capital assets. The City of Fergus Falls' investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$111,215,995 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and systems, improvements other than buildings, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- A variety of bridge, street, and sidewalk construction projects were completed and in progress during 2020; additions to capital assets were \$1,215,688 and construction in progress as of the close of the fiscal year was \$564,500.
- The renovation of the \$2,813,644 Level IV Special Education facility was completed during 2020.
- A taxi lane relocation project at the airport was completed during 2020 and \$588,450 was added to capital assets.
- The City is pursuing a Downtown Riverfront redevelopment project. The City was awarded \$1,750,000 from the State of Minnesota for funding the project during the 2020 legislative session. Construction in progress has reached \$845,044 as of December 31, 2020.
- The installation of an additional chiller for the Community Ice Arena with a cost of \$200,000 was completed during 2020.
- During 2020 the City purchased \$615,192 of various equipment to replace machinery and equipment within the City's fleet. Equipment with a historical cost of \$335,953 was either traded in for the new equipment or disposed.
- During 2020 various infrastructure improvements and equipment were added to capital assets for the Sewage Disposal, Water Department, and Storm Water systems. Additions to capital assets totaled \$3,131,249. Construction in progress for these areas was \$1,150,274 as of December 31, 2020.
- Depreciation for 2020 was \$3,543,865 for governmental activities and \$1,548,290 for business-type activities.

City of Fergus Falls' Capital Assets
(Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$6,187,360	\$6,174,172	\$692,222	\$565,940	\$6,879,582	\$6,740,112
Intangible assets	232,170	232,170			232,170	232,170
Buildings and systems	28,558,727	26,489,933	4,266,005	4,508,881	32,824,732	30,998,814
Improvements other than buildings	5,218,422	4,734,892	29,693,976	27,987,060	34,912,398	32,721,952
Machinery and equipment	4,605,341	4,681,800	1,188,105	1,195,468	5,793,446	5,877,268
Infrastructure	27,553,513	27,558,276			27,553,513	27,558,276
Construction in progress	1,869,880	4,923,576	1,150,274	2,844,331	3,020,154	7,767,907
Total	\$74,225,413	\$74,794,819	\$36,990,582	\$37,101,680	\$111,215,995	\$111,896,499

Additional information on the City of Fergus Falls' capital assets can be found in Note 3 on pages 71 - 72 of this report.

Long-term debt. At the end of the current fiscal year, the City of Fergus Falls had a total bonded debt outstanding of \$17,846,124. Of this amount, \$4,355,000 comprises capital improvement plan debt and equipment certificates backed by the full faith and credit of the City, \$3,135,000 comprises sales tax revenue debt backed by the full faith and credit of the City and the collection of a local option sales tax, \$2,375,000 comprises improvement debt backed by special assessments levied against benefiting

properties and the full faith and credit of the City, \$2,971,124 comprises Port Authority debt backed by the full faith and credit of the City and the collection of lease payments pledged to the bonds, and \$5,010,000 comprises proprietary fund debt backed by the respective revenues and the full faith and credit of the City.

**City of Fergus Falls' Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Capital improvement plan	\$3,955,000	\$4,640,000			\$3,955,000	\$4,640,000
Equipment certificates	400,000				400,000	0
Sales tax revenue bonds	3,135,000	4,225,000			3,135,000	4,225,000
Improvement debt with governmental commitment	2,375,000	3,035,000			2,375,000	3,035,000
Port Authority bonds	2,971,124	2,765,000			2,971,124	2,765,000
Revenue bonds			5,010,000	5,440,000	5,010,000	5,440,000
Total	\$12,836,124	\$14,665,000	\$5,010,000	\$5,440,000	\$17,846,124	\$20,105,000

The City of Fergus Falls' total bonded debt decreased \$2,258,876 (11.2 percent) during the current fiscal year. The change in bonded debt is the result of the issuance of the \$7,405,000 G.O. Bonds, Series 2020A, which provided \$400,000 for the purchase of a fire truck and provided funds for the refunding of six outstanding bonds. The total debt was reduced by principal payments on long-term debt.

The City of Fergus Falls maintains a bond rating of Aa3 from Moody's Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total market value of taxable property. The current debt limitation for the City of Fergus Falls is \$27,064,827, which is significantly in excess of the City of Fergus Falls' outstanding general obligation debt.

Additional information on the City of Fergus Falls' long-term debt can be found in Note 5 on pages 77 - 79 of this report.

Economic Factors and Next Year's Budgets and Rates

The 2020 annual average unemployment rate (not seasonally adjusted) for the City of Fergus Falls was 5.1 percent, which was an increase from a rate of 4.2 percent a year ago. This compares favorably to the State's 2020 annual unemployment rate (not seasonally adjusted) of 6.2 percent, and also compares favorably to the United States' 2020 annual average unemployment rate of 8.1 percent.

Development activity within the City continued to grow during 2020. The City experienced an increase in new home construction with 35 new home starts in 2020 compared to 16 new homes in 2019. The City experienced some new construction in the commercial area as well as several remodeling projects. The value of building permits decreased from \$25 million in 2019 to \$19.8 million in 2020. The City is experiencing further development activity thus far in 2021.

The Otter Tail Power Company coal-fired power plant will cease operation during 2021. This power plant comprises approximately 5.7 percent of the City's tax base. During 2018, the City completed various impact studies regarding the plant closure and has considered this information when planning future budgets.

During the current fiscal year, total fund balance in the General fund increased to \$10,185,580. The City relies on the State of Minnesota Local Government Aid (LGA). The 2020 LGA allotment of \$3,764,446 comprises 27 percent of the funding for the 2020 General fund original budget. The City received a 2.5 percent increase in LGA for 2020. For several years the City has experienced stable amounts of LGA from the State of Minnesota. The City strives to maintain adequate unassigned fund balance in the General fund to manage future budgets. The City does allow the carryover of unspent capital outlay and snow and ice removal budgets for use in future years if the need arises.

The Waste Management, Sewage Disposal, Water Department, and Storm Water rates are evaluated on an annual basis and recommended changes are presented to the City Council for approval.

All of these factors were considered in preparing the City of Fergus Falls' budget for the 2021 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Fergus Falls' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 112 West Washington Avenue, Fergus Falls, Minnesota, 56537.

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BASIC FINANCIAL STATEMENTS

CITY OF FERGUS FALLS, MINNESOTA
Statement of Net Position
December 31, 2020

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>PEG Access</u>	<u>Fergus Falls Convention and Visitor's Bureau, Inc.</u>
ASSETS					
Cash and cash equivalents	\$6,572,177	\$4,129,846	\$10,702,023	\$218,623	\$105,257
Investments	11,723,544	14,650,000	26,373,544		
Receivables:					
Taxes	458,215		458,215		
Special assessments	4,336,118		4,336,118		
Notes, leases, and contracts	5,041,941		5,041,941		
Other	4,462,440	934,936	5,397,376	23,118	17,563
Internal balances	(4,188,451)	4,188,451			
Inventories	428,820	1,195,470	1,624,290		
Prepaid items	177,484	138,609	316,093	451	263
Property held for resale	3,339,939		3,339,939		
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	27,378	383,862	411,240		
Investments		2,800,000	2,800,000		
Net pension asset - fire relief association	1,207,310		1,207,310		
Capital assets (net of accumulated depreciation):					
Land	6,187,360	692,222	6,879,582		
Intangible assets	232,170		232,170		
Buildings and systems	28,558,727	4,266,005	32,824,732		
Improvements other than buildings	5,218,422	29,693,976	34,912,398	7,828	
Machinery and equipment	4,605,341	1,188,105	5,793,446	32,503	
Infrastructure	27,553,513		27,553,513		
Construction in progress	1,869,880	1,150,274	3,020,154		
Total assets	<u>\$107,812,328</u>	<u>\$65,411,756</u>	<u>\$173,224,084</u>	<u>\$282,523</u>	<u>\$123,083</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	\$58,107	\$18,019	\$76,126		
Pensions	1,645,584	147,087	1,792,671		
Total deferred outflows of resources	<u>\$1,703,691</u>	<u>\$165,106</u>	<u>\$1,868,797</u>		

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	PEG Access	Fergus Falls Convention and Visitor's Bureau, Inc.
LIABILITIES					
Accounts payable	\$1,402,856	\$242,874	\$1,645,730	\$690	\$4,814
Accrued salaries payable	370,822	144,396	515,218	2,653	5,493
Retainage payable	259,442		259,442		
Intergovernmental payable	187,544	115,592	303,136	81	98
Interest payable	52,363	47,134	99,497		
Unearned revenue	319,269	12,484	331,753		
Liabilities payable from restricted assets	27,378		27,378		
Noncurrent liabilities:					
Due within one year	2,655,141	566,514	3,221,655	3,197	3,440
Due in more than one year	12,653,943	6,233,814	18,887,757	3,944	1,900
Total OPEB liability	632,813	196,259	829,072		
Net pension liability	5,597,758	2,014,825	7,612,583		
Total liabilities	\$24,159,329	\$9,573,892	\$33,733,221	\$10,565	\$15,745
DEFERRED INFLOWS OF RESOURCES					
Revenue for subsequent years	\$2,677,500		\$2,677,500		
OPEB	10,700	3,318	14,018		
Pensions	2,265,362	128,530	2,393,892		
Total deferred inflows of resources	\$4,953,562	\$131,848	\$5,085,410		
NET POSITION					
Net investment in capital assets	\$61,241,331	\$31,732,617	\$92,973,948	\$40,331	
Permanently restricted for: (nonexpendable)					
Library purposes	14,301		14,301		
Temporarily restricted for: (expendable)					
Bad debts - IRP regulations	29,450		29,450		
Canine program	3,253		3,253		
CBHH operations	29,022		29,022		
Community ice arena	1,133,256		1,133,256		
Debt service	809,638		809,638		
E & G Noyes Park	442		442		
Infrastructure improvements	12,078		12,078		
Landfill closure/postclosure		2,261,802	2,261,802		
Library building	1,121,647		1,121,647		
Library purposes	45,466		45,466		
Park improvements	26,352		26,352		
Police forfeitures	94,751		94,751		
Police programs	8,892		8,892		
Public restrooms	7,876		7,876		
Renewal and replacement - CBHH	423,737		423,737		
Revolving loans	3,447,574		3,447,574		
Street maintenance	1,064,351		1,064,351		
Tax increment districts	139,348		139,348		
Tri-centennial	9,194		9,194		
Unrestricted	10,741,169	21,876,703	32,617,872	231,627	107,338
Total net position	\$80,403,128	\$55,871,122	\$136,274,250	\$271,958	\$107,338

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Activities
For the Year Ended December 31, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$2,367,778	\$205,981	\$36,203	
Public safety	5,390,190	525,877	1,488,336	
Streets and highways	3,947,363	43,576	317,563	875,173
Sanitation	43,650	6,652	252	
Airport	401,828	29,258	79,967	602,116
Culture and recreation	3,354,503	496,431	174,268	228,857
Community development	263,089	8,500	1,074	
Economic development	1,219,034	530,024	35,181	1,159,523
Interest on long-term debt	470,878			
Total governmental activities	<u>\$17,458,313</u>	<u>\$1,846,299</u>	<u>\$2,132,844</u>	<u>\$2,865,669</u>
Business-type activities:				
Waste Management	\$3,141,171	\$3,487,852		
Liquor Store	6,488,734	7,575,587		
Sewage Disposal	1,883,245	2,339,699		
Water Department	1,733,887	2,577,360		
Storm Water	438,546	641,082		
Total business-type activities	<u>\$13,685,583</u>	<u>\$16,621,580</u>		
Total primary government	<u>\$31,143,896</u>	<u>\$18,467,879</u>	<u>\$2,132,844</u>	<u>\$2,865,669</u>
Component units:				
PEG Access	\$94,358	\$1,024	\$110,937	
Fergus Falls Convention and Visitor's Bureau, Inc.	131,809		164,218	
Total component units	<u>\$226,167</u>	<u>\$1,024</u>	<u>\$275,155</u>	

General revenues:
Property taxes
Local option sales tax
Lodging taxes
Tax increments
Unrestricted intergovernmental revenues
Unrestricted investment earnings
Gain on sale of capital assets
Transfers

Total general revenues, special items, and transfers

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	PEG Access	Fergus Falls Convention and Visitor's Bureau, Inc.
(\$2,125,594)		(\$2,125,594)		
(3,375,977)		(3,375,977)		
(2,711,051)		(2,711,051)		
(36,746)		(36,746)		
309,513		309,513		
(2,454,947)		(2,454,947)		
(253,515)		(253,515)		
505,694		505,694		
(470,878)		(470,878)		
<u>(\$10,613,501)</u>		<u>(\$10,613,501)</u>		
	\$346,681	\$346,681		
	1,086,853	1,086,853		
	456,454	456,454		
	843,473	843,473		
	202,536	202,536		
	<u>\$2,935,997</u>	<u>\$2,935,997</u>		
<u>(\$10,613,501)</u>	<u>\$2,935,997</u>	<u>(\$7,677,504)</u>		
			\$17,603	
				32,409
			<u>\$17,603</u>	<u>\$32,409</u>
\$6,627,148		\$6,627,148		
1,430,063		1,430,063		
90,992		90,992		
257,208		257,208		
3,765,510		3,765,510		
602,071	1,061,379	1,663,450	8,418	2,163
39,995		39,995		
1,551,009	(1,551,009)			
<u>\$14,363,996</u>	<u>(\$489,630)</u>	<u>\$13,874,366</u>	<u>\$8,418</u>	<u>\$2,163</u>
\$3,750,495	\$2,446,367	\$6,196,862	\$26,021	\$34,572
76,652,633	53,424,755	130,077,388	245,937	72,766
<u>\$80,403,128</u>	<u>\$55,871,122</u>	<u>\$136,274,250</u>	<u>\$271,958</u>	<u>\$107,338</u>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2020

	<u>General</u>	<u>Special Revenue Port Authority</u>	<u>Debt Service G.O. Port Authority 2019A</u>
ASSETS			
Cash and cash equivalents	\$3,182,628	\$538,343	\$52,666
Restricted cash - customer deposits	19,878		
Investments	7,423,544	300,000	
Receivables:			
Taxes	142,047	3,422	
Special assessments			
Notes, leases, and contracts	92,805		2,677,500
Other	275,655	678,724	155
Due from other funds	3,600		
Inventories	191,603		
Prepaid items	10,752		
Advances to other funds	8,632		
Property held for resale		3,339,939	
	<u>\$11,351,144</u>	<u>\$4,860,428</u>	<u>\$2,730,321</u>
Total assets			
LIABILITIES			
Accounts payable	\$240,418	\$1,326	
Accrued salaries payable	302,548	2,948	
Retainage payable			
Intergovernmental payable	145,955		
Due to other funds	218,594	2,302,688	
Advances from other funds			
Interest payable			
Unearned revenue	25,628		11,654
Customer deposits	19,878		
	<u>\$953,021</u>	<u>\$2,306,962</u>	<u>\$11,654</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Revenue for subsequent years	\$93,314		\$2,677,500
Unavailable revenue - property tax	119,229	3,103	
Unavailable revenue - special assessments			
	<u>\$212,543</u>	<u>\$3,103</u>	<u>\$2,677,500</u>
Total deferred inflows of resources			
FUND BALANCES			
Nonspendable	\$202,355		
Restricted	2,781,052	452,759	41,167
Committed			
Assigned	1,171,134	2,097,604	
Unassigned	6,031,039		
	<u>\$10,185,580</u>	<u>\$2,550,363</u>	<u>\$41,167</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$11,351,144</u>	<u>\$4,860,428</u>	<u>\$2,730,321</u>

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects Operations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$2,502,603	\$6,276,240
	7,500	27,378
	2,000,000	9,723,544
7,594	305,152	458,215
4,336,118		4,336,118
	2,271,636	5,041,941
2,558,836	937,192	4,450,562
2,828,222		2,831,822
		191,603
		10,752
		8,632
		3,339,939
<u>\$9,730,770</u>	<u>\$8,024,083</u>	<u>\$36,696,746</u>
\$1,096,650	\$33,491	\$1,371,885
10,714	33,234	349,444
235,319	24,123	259,442
16,381	23,934	186,270
2,229,803	3,206	4,754,291
	8,632	8,632
	1,512	1,512
273,700	5,250	316,232
	7,500	27,378
<u>\$3,862,567</u>	<u>\$140,882</u>	<u>\$7,275,086</u>
		\$2,770,814
6,470	32,183	160,985
4,332,997		4,332,997
<u>\$4,339,467</u>	<u>\$32,183</u>	<u>\$7,264,796</u>
	\$14,301	\$216,656
453,079	5,167,508	8,895,565
	563,160	563,160
1,075,657	2,106,049	6,450,444
		6,031,039
<u>\$1,528,736</u>	<u>\$7,851,018</u>	<u>\$22,156,864</u>
<u>\$9,730,770</u>	<u>\$8,024,083</u>	<u>\$36,696,746</u>

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CITY OF FERGUS FALLS, MINNESOTA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position - Governmental Activities
As of December 31, 2020

Total fund balance - governmental funds	\$22,156,864
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	126,626,266
Less: Accumulated depreciation	(55,121,511)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
General obligation bonds	(10,461,124)
Permanent improvement revolving fund bonds	(2,375,000)
Installment purchase contracts	(31,382)
Intergovernmental	(108,662)
Compensated absences - benefits owed	(1,283,695)
Bond premiums are reported as a liability within the statement of net position and are reported as an other financing source in the year the debt is issued within the governmental funds.	
	(1,012,555)
Internal service funds are used by management to charge the costs of fleet management and employee health insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	2,983,512
The consolidation of the internal service funds with the governmental activities resulted in an internal balance to business-type activities.	
	(165,841)
Delinquent property taxes receivable will be collected in future years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	160,985
Deferred and delinquent special assessment receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.	
	4,332,997
Resources generated as a result of a long-term note receivable are not available to pay for the current expenditures and, therefore, are deferred in the funds.	
	93,314
Governmental funds do not report a liability for a total OPEB liability.	
	(632,813)
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	
	(50,851)
The City's allocation of the net pension liability for MN PERA is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	
	(5,339,940)
Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.	
	1,207,310
Deferred outflows of resources related to pensions are not reported in the funds.	
	1,626,762
Deferred outflows of resources related to the OPEB liability are not reported in the funds.	
	58,107
Deferred inflows of resources related to pensions are not reported in the funds.	
	(2,248,915)
Deferred inflows of resources related to the OPEB liability are not reported in the funds.	
	(10,700)
Total net position - governmental activities	\$80,403,128

CITY OF FERGUS FALLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	<u>General</u>	<u>Special Revenue Port Authority</u>	<u>Debt Service G.O. Port Authority 2019A</u>
REVENUES			
Taxes	\$5,107,205	\$75,291	
Special assessments			
Licenses and permits	182,754		
Intergovernmental	5,677,849	696,273	
Charges for services	845,953	60,000	
Fines and forfeits	106,439		
Contributions	53,578		
Investment earnings	360,476	25,882	3,634
Other interest income			
Rent	54,410	238,177	152,656
Other	76,764		
Total revenues	<u>\$12,465,428</u>	<u>\$1,095,623</u>	<u>\$156,290</u>
EXPENDITURES			
Current:			
General government	\$2,135,300		
Public safety	5,476,974		
Streets and highways	2,513,813		
Sanitation	46,762		
Airport	219,204		
Culture and recreation	1,712,011		
Community development	240,670		
Economic development	62,795	253,607	
Debt service:			
Principal	14,486		60,000
Interest	2,500		124,101
Other	11,516		495
Capital outlay	492,777		
Total expenditures	<u>\$12,928,808</u>	<u>\$253,607</u>	<u>\$184,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$463,380)</u>	<u>\$842,016</u>	<u>(\$28,306)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$1,590,449		
Transfers (out)	(51,277)		
General obligation bonds issued	400,000	266,124	
Refunding bonds issued			
Premium on general obligation bonds issued	49,903		
Payment of refunded bonds			
Sale of capital assets	1,200		
Total other financing sources and (uses)	<u>\$1,990,275</u>	<u>\$266,124</u>	
Net change in fund balances	<u>\$1,526,895</u>	<u>\$1,108,140</u>	<u>(\$28,306)</u>
Fund balances - beginning	8,658,685	1,442,223	69,473
Fund balances - ending	<u>\$10,185,580</u>	<u>\$2,550,363</u>	<u>\$41,167</u>

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects Operations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$232,900	\$2,969,287	\$8,384,683
361,151		361,151
		182,754
1,161,281	713,474	8,248,877
	27,316	933,269
	3,322	109,761
	99,768	153,346
(61,720)	181,518	509,790
72,071	52,733	124,804
		445,243
14,278	36,908	127,950
<u>\$1,779,961</u>	<u>\$4,084,326</u>	<u>\$19,581,628</u>
		\$2,135,300
		5,476,974
372,346		2,886,159
		46,762
	702	219,906
8,500	797,618	2,518,129
	28,668	269,338
463,262	304,346	1,084,010
	2,010,575	2,085,061
	340,998	467,599
	98,195	110,206
1,284,297	693,648	2,470,722
<u>\$2,128,405</u>	<u>\$4,274,750</u>	<u>\$19,770,166</u>
<u>(\$348,444)</u>	<u>(\$190,424)</u>	<u>(\$188,538)</u>
\$169,365	\$649,305	\$2,409,119
(649,305)	(2,658)	(703,240)
		666,124
	5,245,000	5,245,000
	558,959	608,862
	(5,705,000)	(5,705,000)
		1,200
<u>(\$479,940)</u>	<u>\$745,606</u>	<u>\$2,522,065</u>
<u>(\$828,384)</u>	<u>\$555,182</u>	<u>\$2,333,527</u>
<u>2,357,120</u>	<u>7,295,836</u>	<u>19,823,337</u>
<u>\$1,528,736</u>	<u>\$7,851,018</u>	<u>\$22,156,864</u>

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CITY OF FERGUS FALLS, MINNESOTA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities
For the Year Ended December 31, 2020

Total net change in fund balance - governmental funds	\$2,333,527
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	2,497,278
Depreciation expense	(2,838,654)
Equipment purchased by the City funded with capital grants	18,570
Property donated to the City	7,220
Net effect of various transactions involving capital assets	38,343
Certain revenues reported in the funds were recognized in prior years and are not reported as revenue in the statement of activities (special assessments).	(248,301)
Certain revenues were not available and were therefore deferred in the funds.	93,314
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the statement of activities.	(91,509)
Principal payments on long-term debt are recognized as expenditures in the governmental funds, but as an increase in net position on the statement of activities.	2,085,061
Payments of refunded bonds are recognized as other financing uses in the governmental funds, but as an increase in net position on the statement of activities.	5,705,000
Proceeds from long-term debt are recognized as other financing sources in the governmental funds but as a decrease in net position on the statement of activities.	(5,911,124)
Governmental funds report the effect of bond premiums when debt is first issued as an other financing source, whereas these amounts are amortized in the statement of activities.	(527,937)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	26,002
Delinquent property taxes receivable will be collected in future years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	20,728
The costs associated with the postemployment healthcare plan are recognized as paid in the governmental funds, but recognized as the expense is incurred in the statement of activities.	(38,632)
Net pension expense and State funding related to the City's allocation of the net pension liability is not included within the funds, but is recognized in the statement of activities.	336,690
Internal service fund activity.	244,919
Change in net position - governmental activities	<u><u>\$3,750,495</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$5,207,457	\$5,207,457	\$5,107,205	(\$100,252)
Licenses and permits	179,175	179,175	182,754	3,579
Intergovernmental	4,957,215	4,992,205	5,677,849	685,644
Charges for services	963,202	963,202	845,953	(117,249)
Fines and forfeits	72,050	115,269	106,439	(8,830)
Contributions	22,500	31,750	53,578	21,828
Investment earnings	120,000	120,000	360,476	240,476
Rent	58,100	58,100	54,410	(3,690)
Other	75,000	75,000	76,764	1,764
Total revenues	<u>\$11,654,699</u>	<u>\$11,742,158</u>	<u>\$12,465,428</u>	<u>\$723,270</u>
EXPENDITURES				
General government	\$2,249,854	\$2,379,184	\$2,135,300	(\$243,884)
Public safety	4,694,069	4,785,401	5,476,974	691,573
Streets and highways	2,651,672	2,745,004	2,513,813	(231,191)
Sanitation	38,021	38,021	46,762	8,741
Airport	213,490	213,490	219,204	5,714
Culture and recreation	2,006,039	2,016,875	1,712,011	(304,864)
Community development	327,456	328,206	240,670	(87,536)
Economic development	50,000	50,000	62,795	12,795
Debt service:				
Principal	55,486	14,486	14,486	
Interest	3,700	2,500	2,500	
Other			11,516	11,516
Capital outlay	1,836,386	2,996,316	492,777	(2,503,539)
Total expenditures	<u>\$14,126,173</u>	<u>\$15,569,483</u>	<u>\$12,928,808</u>	<u>(\$2,640,675)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$2,471,474)</u>	<u>(\$3,827,325)</u>	<u>(\$463,380)</u>	<u>\$3,363,945</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$1,590,449	\$1,590,449	\$1,590,449	
Transfers (out)	(8,975)	(51,277)	(51,277)	
General obligation bonds issued	490,000	490,000	400,000	(90,000)
Premium on general obligation bonds issued			49,903	49,903
Sale of capital assets			1,200	1,200
Total other financing sources and (uses)	<u>\$2,071,474</u>	<u>\$2,029,172</u>	<u>\$1,990,275</u>	<u>(\$38,897)</u>
Net change in fund balances	<u>(\$400,000)</u>	<u>(\$1,798,153)</u>	<u>\$1,526,895</u>	<u>\$3,325,048</u>
Fund balance - beginning			<u>8,658,685</u>	
Fund balance - ending			<u>\$10,185,580</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Port Authority Special Revenue Fund
For the Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$76,000	\$75,221	(\$779)
Mobile home tax	60	70	10
Total taxes	\$76,060	\$75,291	(\$769)
Intergovernmental	20	696,273	696,253
Charges for services		60,000	60,000
Investment earnings	5,000	25,882	20,882
Rent	228,500	238,177	9,677
Total revenues	\$309,580	\$1,095,623	\$786,043
EXPENDITURES			
Current:			
Economic development	\$250,649	\$253,607	\$2,958
Total expenditures	\$250,649	\$253,607	\$2,958
Excess (deficiency) of revenues over (under) expenditures	\$58,931	\$842,016	\$783,085
OTHER FINANCING SOURCES (USES)			
General obligation bonds issued		\$266,124	\$266,124
Net change in fund balances	\$58,931	\$1,108,140	\$1,049,209
Fund balance - beginning		1,442,223	
Fund balance - ending		\$2,550,363	

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
ASSETS		
Current assets:		
Cash and cash equivalents	\$940,914	\$507,377
Investments	450,000	700,000
Receivables:		
Interest	13,491	3,543
Accounts	346,179	
Intergovernmental		
Other	3,489	777
Due from other funds	12,933	
Inventories		1,084,862
Prepaid items	138,609	
Total current assets	\$1,905,615	\$2,296,559
Noncurrent assets:		
Restricted assets:		
Financial assurance held for landfill closure/postclosure:		
Cash and cash equivalents	\$383,862	
Investments	2,800,000	
Total restricted assets	\$3,183,862	
Capital assets:		
Land	\$83,108	\$304,982
Buildings and systems	871,925	1,669,921
Improvements other than buildings	3,040,403	
Machinery and equipment	536,460	326,911
Construction in progress		
Less accumulated depreciation	(1,524,785)	(1,236,229)
Total capital assets (net of accumulated depreciation)	\$3,007,111	\$1,065,585
Total noncurrent assets	\$6,190,973	\$1,065,585
Total assets	\$8,096,588	\$3,362,144
DEFERRED OUTFLOWS OF RESOURCES		
OPEB	\$4,278	\$2,162
Pensions	46,640	38,469
Total deferred outflows of resources	\$50,918	\$40,631

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$1,007,728	\$943,820	\$730,007	\$4,129,846	\$295,937
7,500,000	5,000,000	1,000,000	14,650,000	2,000,000
31,669	17,530	5,115	71,348	7,207
178,947	202,328	64,109	791,563	
12,768	46,785		59,553	
2,038	6,168		12,472	4,671
2,243,951		9,756	2,266,640	148,240
42,715	67,893		1,195,470	237,217
			138,609	166,732
\$11,019,816	\$6,284,524	\$1,808,987	\$23,315,501	\$2,860,004
			\$383,862	
			2,800,000	
			\$3,183,862	
\$8,709	\$100,608	\$194,815	\$692,222	\$4,350
14,357,650	4,172,635		21,072,131	506,103
19,377,659	20,790,454	10,831,218	54,039,734	
1,046,128	1,013,351		2,922,850	9,553,357
613,873	450,346	86,055	1,150,274	
(22,955,052)	(12,202,988)	(4,967,575)	(42,886,629)	(7,343,152)
\$12,448,967	\$14,324,406	\$6,144,513	\$36,990,582	\$2,720,658
\$12,448,967	\$14,324,406	\$6,144,513	\$40,174,444	\$2,720,658
\$23,468,783	\$20,608,930	\$7,953,500	\$63,489,945	\$5,580,662
\$4,590	\$6,913	\$76	\$18,019	
28,600	28,852	4,526	147,087	18,822
\$33,190	\$35,765	\$4,602	\$165,106	\$18,822

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
LIABILITIES		
Current liabilities:		
Accounts payable	\$18,344	\$181,584
Accrued salaries payable	49,820	41,147
Compensated absences	61,446	29,649
Intergovernmental payable	115,234	7
Due to other funds	72,304	8,503
Revenue bonds payable	115,000	
Interest payable	7,127	
Unearned revenue		12,344
Estimated liability for landfill closure/postclosure	50,000	
Total current liabilities	\$489,275	\$273,234
Noncurrent liabilities:		
Revenue bonds payable, net of premiums	\$1,964,684	
Compensated absences	30,284	21,027
Total OPEB liability	46,594	23,551
Net pension liability	638,882	526,953
Estimated liability for landfill closure/postclosure	872,060	
Total noncurrent liabilities	\$3,552,504	\$571,531
Total liabilities	\$4,041,779	\$844,765
DEFERRED INFLOWS OF RESOURCES		
OPEB	\$788	\$398
Pensions	40,756	33,615
Total deferred inflows of resources	\$41,544	\$34,013
NET POSITION		
Net investment in capital assets	\$927,427	\$1,065,585
Restricted for:		
Landfill closure/postclosure	2,261,802	
Unrestricted	874,954	1,458,412
Total net position	\$4,064,183	\$2,523,997

Adjustment to reflect the consolidation of internal service fund activities
related to enterprise funds.

Net position of business-type activities

The notes to the financial statements are an integral part of this statement.

(Continued)

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$26,168	\$16,267	\$511	\$242,874	\$30,971
26,063	25,278	2,088	144,396	21,378
42,071	63,348		196,514	31,758
	351		115,592	1,274
73,442	95,755	94,683	344,687	147,724
	185,000	20,000	320,000	
	29,534	10,473	47,134	
	140		12,484	3,037
			50,000	
<u>\$167,744</u>	<u>\$415,673</u>	<u>\$127,755</u>	<u>\$1,473,681</u>	<u>\$236,142</u>
	\$2,492,110	\$693,054	\$5,149,848	
62,775	97,820		211,906	4,908
49,991	75,290	833	196,259	
391,769	395,224	61,997	2,014,825	257,818
			872,060	
<u>\$504,535</u>	<u>\$3,060,444</u>	<u>\$755,884</u>	<u>\$8,444,898</u>	<u>\$262,726</u>
<u>\$672,279</u>	<u>\$3,476,117</u>	<u>\$883,639</u>	<u>\$9,918,579</u>	<u>\$498,868</u>
\$845	\$1,273	\$14	\$3,318	
24,992	25,212	3,955	128,530	16,447
<u>\$25,837</u>	<u>\$26,485</u>	<u>\$3,969</u>	<u>\$131,848</u>	<u>\$16,447</u>
\$12,448,967	\$11,848,713	\$5,441,925	\$31,732,617	\$2,720,658
			2,261,802	
<u>10,354,890</u>	<u>5,293,380</u>	<u>1,628,569</u>	<u>19,610,205</u>	<u>2,363,511</u>
<u>\$22,803,857</u>	<u>\$17,142,093</u>	<u>\$7,070,494</u>	<u>\$53,604,624</u>	<u>\$5,084,169</u>
			2,266,498	
			<u>\$55,871,122</u>	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
OPERATING REVENUES AND GROSS PROFIT		
Sales and charges for services	\$3,486,138	\$7,569,406
Cost of sales		(5,270,390)
Total operating revenues and gross profit	\$3,486,138	\$2,299,016
OPERATING EXPENSES		
Personal service	\$768,848	\$644,594
Employee benefits	308,604	248,951
Supplies	48,329	36,419
Utilities	39,492	57,962
Other	1,801,600	193,868
Depreciation	193,126	36,503
Total operating expenses	\$3,159,999	\$1,218,297
Operating income (loss)	\$326,139	\$1,080,719
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$201,400	\$36,096
Other interest income		
Rent		4,296
Other income	1,714	1,885
Gain on disposal of capital assets		
Interest expense	(83,123)	
Total nonoperating revenues (expenses)	\$119,991	\$42,277
Income before contributions and transfers	\$446,130	\$1,122,996
Capital contributions		22,900
Transfers in		
Transfers (out)	(246,306)	(603,530)
Change in net position	\$199,824	\$542,366
Total net position - beginning	\$3,864,359	\$1,981,631
Total net position - ending	\$4,064,183	\$2,523,997
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Change in net position of business-type activities		

The notes to the financial statements are an integral part of this statement.

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$2,336,772	\$2,567,810	\$640,916	\$16,601,042 (5,270,390)	\$4,049,859
\$2,336,772	\$2,567,810	\$640,916	\$11,330,652	\$4,049,859
\$487,464	\$460,741	\$77,569	\$2,439,216	\$330,200
206,872	115,488	15,260	895,175	75,278
140,350	251,725	13,014	489,837	407,979
146,713	92,653	2,939	339,759	44,519
364,661	192,865	125,395	2,678,389	2,048,790
569,702	543,441	205,518	1,548,290	705,211
\$1,915,762	\$1,656,913	\$439,695	\$8,390,666	\$3,611,977
\$421,010	\$910,897	\$201,221	\$2,939,986	\$437,882
\$477,082	\$264,098	\$82,153	\$1,060,829	\$92,281
	550		550	
	3,545		7,841	
2,927	6,005	166	12,697	7,713
	(86,968)	(20,276)	(190,367)	39,995
\$480,009	\$187,230	\$62,043	\$891,550	\$139,989
\$901,019	\$1,098,127	\$263,264	\$3,831,536	\$577,871
2,254	1,349	1,249	27,752	109,243
				8,975
(280,237)	(261,984)	(186,704)	(1,578,761)	(136,093)
\$623,036	\$837,492	\$77,809	\$2,280,527	\$559,996
\$22,180,821	\$16,304,601	\$6,992,685	\$51,324,097	\$4,524,173
\$22,803,857	\$17,142,093	\$7,070,494	\$53,604,624	\$5,084,169
			165,840	
			\$2,446,367	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$3,455,584	\$7,574,910
Payments from interfund services provided		
Payments to suppliers	(83,585)	(5,493,894)
Payments to employees	(903,297)	(731,992)
Payments for interfund services used	(628,875)	(122,242)
Other income	1,714	6,181
Other expenses	(1,336,703)	(193,431)
	\$504,838	\$1,039,532
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(\$246,306)	(\$595,030)
Amount loaned for cash deficit		
Amount borrowed for cash deficit		
Net cash provided (used) by noncapital financing activities	(\$246,306)	(\$595,030)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer from other funds		
Sale of capital assets		
Receipt of capital grant		
Purchase of capital assets		(10,279)
Repayment of due from other funds		
Repayment of due to other funds	(43,877)	
Proceeds from capital debt	973,186	
Principal paid on capital debt	(1,070,000)	
Interest paid on capital debt	(81,388)	
Net cash provided (used) by capital and related financing activities	(\$222,079)	(\$10,279)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments		
Purchase of investments	(45,134)	(684,226)
Interest and dividends received	97,889	19,296
Other interest		
Net cash provided (used) by investing activities	\$52,755	(\$664,930)
Net increase (decrease) in cash and cash equivalents	\$89,208	(\$230,707)
Cash and cash equivalents, January 1 (including \$389,452 reported in the restricted accounts)	1,235,568	738,084
Cash and cash equivalents, December 31 (including \$383,862 reported in the restricted accounts)	\$1,324,776	\$507,377

Business-type Activities-Enterprise Funds

Sewage Disposal	Water Department	Storm Water	Totals	Governmental Activities-Internal Service Funds
\$2,348,410	\$2,542,077	\$638,353	\$16,559,334	
				4,053,713
(279,172)	(370,704)	(16,512)	(6,243,867)	(510,173)
(547,960)	(612,836)	(86,321)	(2,882,406)	(395,742)
(286,199)	(119,543)	(105,274)	(1,262,133)	(79,038)
2,927	9,550	166	20,538	7,713
(216,173)	(151,978)	(23,523)	(1,921,808)	(2,010,999)
<u>\$1,021,833</u>	<u>\$1,296,566</u>	<u>\$406,889</u>	<u>\$4,269,658</u>	<u>\$1,065,474</u>
(276,656)	(266,676)	(136,666)	(\$1,521,334)	(\$127,118)
(\$2,229,803)			(2,229,803)	(5,550)
				5,550
<u>(\$2,506,459)</u>	<u>(\$266,676)</u>	<u>(\$136,666)</u>	<u>(\$3,751,137)</u>	<u>(\$127,118)</u>
		\$2,180	\$2,180	
				39,995
				18,571
(480,436)	(526,907)	(197,717)	(1,215,339)	(471,613)
(125,172)	(219,174)	(129,689)	(517,912)	
	981,907		1,955,093	
	(1,120,000)		(2,190,000)	
	(99,056)	(24,173)	(204,617)	
<u>(\$605,608)</u>	<u>(\$983,230)</u>	<u>(\$349,399)</u>	<u>(\$2,170,595)</u>	<u>(\$413,047)</u>
\$2,551,492	\$337,216	\$144,027	\$3,032,735	
			(729,360)	(953,211)
228,571	128,635	38,923	513,314	44,523
	550		550	
<u>\$2,780,063</u>	<u>\$466,401</u>	<u>\$182,950</u>	<u>\$2,817,239</u>	<u>(\$908,688)</u>
\$689,829	\$513,061	\$103,774	\$1,165,165	(\$383,379)
317,899	430,759	626,233	3,348,543	679,316
<u>\$1,007,728</u>	<u>\$943,820</u>	<u>\$730,007</u>	<u>\$4,513,708</u>	<u>\$295,937</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$326,139	\$1,080,719
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$193,126	\$36,503
(Increase) decrease in accounts receivable	(29,404)	
(Increase) decrease in miscellaneous receivable	(1,935)	(690)
(Increase) decrease in intergovernmental receivable		
(Increase) decrease in due from other funds	785	
(Increase) decrease in inventories		(97,915)
(Increase) decrease in prepaid items	23,340	450
(Increase) decrease in deferred outflows	7,287	5,759
Increase (decrease) in accounts payable	4,337	(29,739)
Increase (decrease) in accrued salaries payable	11,391	7,228
Increase (decrease) in compensated absences payable	(4,207)	13,660
Increase (decrease) in intergovernmental payable	16,701	(13)
Increase (decrease) in total OPEB liability	(2,119)	6,070
Increase (decrease) in net pension liability	95,120	71,959
Increase (decrease) in estimated liability for landfill closure/postclosure	(93,340)	
Increase (decrease) in due to other funds	33,708	(779)
Increase (decrease) in unearned revenues		5,504
Increase (decrease) in deferred inflows	(77,805)	(65,365)
Other income	1,714	6,181
Total adjustments	\$178,699	(\$41,187)
Net cash provided (used) by operating activities	\$504,838	\$1,039,532
Noncash investing, capital and financing activities:		
Amortization of bond premium	\$83	
Amortization of demo cell permit cost	(23,101)	
Capital asset disposals		
Capital contributions financed through other funds		22,900
Change in fair value of investments	104,866	15,774
Transfer in financed through due from other funds		
Transfer out financed through due to other funds		8,500
Acquisition of property and equipment financed through due to other funds	20,619	

The notes to the financial statements are an integral part of this statement.

(Continued)

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$421,010	\$910,897	\$201,221	\$2,939,986	\$437,882
\$569,702	\$543,441	\$205,518	\$1,548,290	\$705,211
(7,357)	(5,786)	(8,211)	(50,758)	
26,421	(3,169)		20,627	7,290
(1,102)	(16,270)		(17,372)	16,257
(4,714)		5,648	1,719	3,664
(2,551)	2,762		(97,704)	(21,546)
159	291		24,240	(7,755)
5,889	11,188	757	30,880	6,911
10,540	(28,980)	(559)	(44,401)	(33,950)
1,473	(5,871)	2,088	16,309	(16,622)
15,050	(49,576)		(25,073)	5,680
	351		17,039	46
6,497	(24,569)	110	(14,011)	
37,611	17,899	8,127	230,716	(4,394)
			(93,340)	
(7,579)	(7,476)	(207)	17,667	(490)
	(400)		5,104	190
(52,143)	(57,716)	(7,769)	(260,798)	(40,613)
2,927	9,550	166	20,538	7,713
\$600,823	\$385,669	\$205,668	\$1,329,672	\$627,592
\$1,021,833	\$1,296,566	\$406,889	\$4,269,658	\$1,065,474
	\$17,520	\$4,861	\$22,464	
			(23,101)	
				(335,943)
2,254	1,349	1,249	27,752	90,672
251,492	137,216	44,027	553,375	46,789
		2,180		
3,581		50,038	62,119	
69,772	59,357	43,353	193,101	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$420,865
Interest receivable	1,181
Total assets	\$422,046
LIABILITIES	
Accounts payable	\$2,795
Total liabilities	\$2,795
FIDUCIARY NET POSITION	
Restricted for:	
Flexible benefits held for participants	\$13,124
Other organizations	401,732
Resident insurance claims	4,395
Total fiduciary net position	\$419,251

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Custodial Funds
ADDITIONS	
Flexible benefit contributions	\$64,750
Contributions	15,500
Insurance escrow proceeds	4,395
Investment earnings	18,308
Total additions	\$102,953
DEDUCTIONS	
Economic development	\$30,750
Flexible benefit payments	64,659
Total deductions	\$95,409
Change in fiduciary net position	\$7,544
Fiduciary net position - beginning	411,707
Fiduciary net position - ending	\$419,251

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fergus Falls was organized as a municipal corporation in 1872 and is a home rule charter city under Minnesota Statutes. The City operates under a Mayor-Council form of government.

The financial statements of the City of Fergus Falls have been prepared in conformity with United States Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting entity

The financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit.

Reported as if it was part of the City.

Discretely Presented Component Units.

Entails reporting the component unit financial data in columns separate from the financial data of the City.

Related Organization.

The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting entity (Continued)

Blended Component Unit.

The Fergus Falls Port Authority is governed by a seven-member commission appointed by the Mayor with approval and consent of the Council. Four commissioners are also members of the City Council. In addition, the City provides a material portion of its annual operating budget. The Fergus Falls Port Authority is, accordingly, reported as a blended component unit of the primary government; no separately issued financial statements are prepared.

Discretely Presented Component Unit.

PEG Access is a nonprofit corporation established for the purpose of assisting the City of Fergus Falls in providing Public, Educational, and Governmental (PEG) access cable television programming. The City provides significant funding to PEG Access through the City's collection of a franchise fee through the local cable service bills. The City Council has ultimate control over the PEG Access budget through the ability to adjust the franchise fee and funding level to PEG Access.

Financial information in the form of accounting records for PEG Access is available at City Hall located at 112 West Washington Avenue, Fergus Falls, Minnesota. These accounting records are audited as part of the audit of the basic financial statements. Separate financial statements have not been issued.

The Fergus Falls Convention and Visitor's Bureau, Inc. (DBA Visit Fergus Falls) is a nonprofit corporation established with the purpose of marketing and promoting tourism in the City. The City provides significant funding to the Fergus Falls Convention and Visitor's Bureau, Inc. through the City's collection of a municipal lodging tax. The City Council has ultimate control over the Fergus Falls Convention and Visitor's Bureau, Inc. budget through the control of the municipal lodging tax and funding level to the Fergus Falls Convention and Visitor's Bureau, Inc.

Financial information in the form of accounting records for the Fergus Falls Convention and Visitor's Bureau (DBA Visit Fergus Falls) is available at City Hall located at 112 West Washington Avenue, Fergus Falls, Minnesota. These accounting records are audited as part of the audit of the basic financial statements. Separate financial statements have not been issued.

There are no other component units of the City of Fergus Falls requiring either blended or discrete presentation.

Related Organization.

The City Council is also responsible for appointing the members of the governing board of the Fergus Falls Housing and Redevelopment Authority, but the City's accountability does not extend beyond making the appointments. The Housing and Redevelopment Authority has no significant operational or financial relationship with the City.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Custodial Funds are presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (nonprofit corporations, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal period. The City considers revenues to be available for the capital projects funds based on the cycle of the project. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, other taxes, franchise fees, intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Major governmental funds:

The General fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Port Authority special revenue fund accounts for property taxes, intergovernmental revenues, and the collection of lease revenues used to operate and maintain Port Authority assets and further economic and community development within the City.

The G.O. Port Authority 2019A debt service fund accounts for the collection of lease revenues and payments made for principal and interest on the General Obligation Port Authority Bonds, Series 2019A.

The Operations capital projects fund is used to account for the construction of capital facilities, utility systems, street improvements, and sidewalks in the City. Bond proceeds, special assessments, property tax levies, and various grants are used to finance these improvements.

Major proprietary funds:

The Waste Management fund accounts for the resources and expenses related to the operation of a refuse and recycling collection and disposal system.

The Liquor Store fund accounts for the resources and expenses related to the operation of City-owned municipal liquor stores.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The Sewage Disposal fund accounts for the activities related to the operation of a sanitary sewer collection and treatment system.

The Water Department fund accounts for the activities related to the operation of a water purification and distribution system.

The Storm Water fund accounts for activities related to the operation of a surface water collection system.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Public Library fund was established to account for the operation and maintenance of the City-owned library. The Revolving Loan fund accounts for intergovernmental grants and principal and interest revenue for various loan programs. The funds are available for economic and community development purposes. Other special revenue funds are utilized as needed to account for the expenditure of specific revenue sources.

Debt service funds are used to account for the payment of general long-term principal and interest for general obligation bonds. Revenues for these debt service payments are acquired through the City's general property tax levy and transfers from capital projects funds.

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. The Operations capital projects fund is used to account for the construction of sewer and water main extensions, storm sewers, street improvements, and sidewalks in the City. Bond proceeds, special assessments, annual property tax levy, and various grant monies are used to finance these improvements. The Airport Capital Improvement capital projects fund is used to account for construction of runways, aprons, taxiways, and airport hangars of the Municipal Airport. Federal and State grant monies and an annual property tax levy are used to finance these projects.

Permanent funds are used to report resources that are legally restricted to the extent that only the earnings, and not principal, may be used for purposes that support the City's programs, that is, for the benefit of the City or its citizenry.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Custodial funds are fiduciary funds where the City accounts for funds held in a strictly custodial capacity. The City receives resources, invests those resources temporarily, and remits the fiduciary resources to other organizations or individuals. The Flexible Benefit custodial fund accounts for resources held on behalf of City employees. The Business Development for Fergus Falls custodial fund accounts for resources of a nonprofit corporation related to economic development. The Insurance Escrow custodial fund accounts for fire damage insurance proceeds received on behalf of property owners within the City. A portion of insurance proceeds are held by the City until the property owner completes appropriate property improvements.

Internal service funds are used to account for the financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis. The Equipment fund is used to account for the purchase and maintenance of heavy equipment, light-duty trucks, and passenger vehicles used in the daily operations of the City. The Employee Insurance fund is used to account for the accumulation of revenues and expenses associated with health insurance activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are utility charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported from the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by State law. Earnings from the pooled investments are allocated to the individual funds based on the month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

1. Deposits and investments (Continued)

Minnesota State Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, general obligations of a state or local government with taxing powers which are rated A or better, revenue obligations of a state or local government with taxing powers which are rated AA or better, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, commercial paper of the highest quality with a maturity of no longer than 270 days, and in the Minnesota Municipal Money Market Fund (4M Fund).

Certain investments of the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the 4M Fund securities are valued at amortized cost, which approximates fair value. There are no limitations or restrictions on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn.

Definitions of the risks related to deposits and investments are as follows:

Custodial credit risk – deposits: In the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City maintains a policy stating that all short-term operating funds be invested in accounts permissible for municipalities as defined by Minnesota State Statute. Those statutes require deposits be covered by Federal Depository Insurance (FDIC) or in the event that additional coverage is needed, by collateralized securities equal to 110 percent of deposits in excess of FDIC, held by the City or by its agent in the City's name. Authorized collateral includes the legal investments described above and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. The City may also obtain an irrevocable standby letter of credit from a Federal Home Loan Bank as collateral in an amount equal to the amount of excess deposit.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

1. Deposits and investments (Continued)

Custodial credit risk – investments: In the event of failure of the counterparty to a transaction, a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. The City maintains an investment policy that states all funds be invested in a portfolio permissible for municipalities as defined by Minnesota State Statutes.

Credit risk: An issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy allows funds to be invested in a portfolio of permissible investments for municipalities as defined by Minnesota State Statutes. More specifically, the investment policy allows for investments in a general obligation of any state or local government rated A or better, a revenue obligation of a state or local government rated AA or better, and a general obligation of the Minnesota Housing Finance Agency rated A or better.

Concentration credit risk: Loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits the fixed income securities of a single issuer, issue, or asset pool, with the exception of U.S. Government and Agency securities to no more than ten percent of the fair value of the fixed income portfolio.

Interest Rate Risk: Changes in interest rates will adversely affect the fair value of an investment. The following table, from the City's investment policy, outlines the mix of long and short-term investments that should be maintained to avoid being highly sensitive to changes in interest rates.

<u>Asset Class</u>	<u>Target</u>	<u>Maximum</u>
Intermediate to Long Term Fixed Income Securities	50%	70%
Short-Term Fixed Income Securities	20%	40%
Securitized Mortgages	30%	60%
Total Fixed Income Securities	100%	

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade (utility) and property tax receivables are shown at a gross amount, since both taxes and trade (utility) receivables are assessable to the property taxes and are collectible upon sale of the assessed property.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

2. Receivables and payables (Continued)

The City levies its general property tax for the subsequent year during the month of December and certifies its levy to the Otter Tail County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Any adjustments or abatements to either the current or any prior year levy are adjusted through the current year general property tax revenue. Otter Tail County is the collection agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The Otter Tail County Auditor prepares the list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Restricted assets

Customer deposits and street restoration deposits are classified as restricted assets on the balance sheet. Cash and investments held in the Waste Management fund as financial assurance for landfill closure and postclosure costs are classified as restricted assets on the balance sheet.

5. Capital assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (internally generated computer software), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

5. Capital assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Easements	40-60
Furniture and equipment	5
Vehicles	10
Streets and public infrastructure	40-60
Utility distribution systems	40-60

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two types of deferred outflows of resources as of December 31, 2020. The City presents deferred outflows of resources on the statements of net position for deferred outflows of resources related to pensions and OPEBs for various estimate differences that will be amortized and recognized over future years and pension and OPEB contributions made subsequent to the measurement date through the end of the year.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has six types of items that qualify for reporting in this category. The City reported revenue for subsequent years and unavailable revenue in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and other.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

6. Deferred outflows/inflows of resources (Continued)

The statement of net position reports deferred inflow of resources related to revenue for subsequent years as well as pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

7. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, holiday, compensatory time, and sick leave benefits. Employees leaving the employment of the City are eligible to receive one-half of the accumulated sick leave balance to a maximum of 600 hours and all vacation, holiday, and compensatory time. The amounts are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit payments. Investments are reported at fair value.

9. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources/uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

10. Fund balance

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Nonspendable fund balance – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments or b) imposed by law through enabling legislation.

Committed fund balance – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by adoption of a resolution by the City Council, the highest level of decision making authority, and that remain binding unless removed or modified by a City Council resolution.

Assigned fund balance – These are amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General fund, that are not classified as nonspendable, restricted or committed. The City Council approved a fund balance policy on November 7, 2011 which delegated authority to assign and remove fund balance assignments to the City Finance Director.

Unassigned fund balance – These are residual amounts in the General fund not reported in any other classification. The General fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The City’s target unassigned General fund balance is to maintain 35-40 percent of the subsequent year’s budgeted General fund working capital expenditures.

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City’s policy to use resources in the following order: 1) committed 2) assigned 3) unassigned.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

11. Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations on the use of assets through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

12. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds classified as the general fund and certain special revenue, debt service and capital projects funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, all department heads are required to submit to the Finance Director proposed operating budgets for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and the means of financing them.
2. The Finance Director, in turn, submits the proposed operating budgets to a tax levy committee composed of the Mayor, City Administrator, and a member of the City Council appointed by the City Council.
3. The tax levy committee introduces the proposed budget as amended and adjusted by the committee to the full City Council for their consideration at the first City Council meeting held in September.
4. At the second City Council meeting held in September the tax levy committee requests adoption of the proposed budget as amended and adjusted by the City Council and certifies the proposed general property tax levy to the County Auditor according to Minnesota Statutes.
5. Public meetings are held to obtain taxpayer input.
6. On or before December 29, the final budget is legally enacted by City Council resolution and the final property tax levy is certified to the County Auditor.

The City Council establishes the level of budgetary control, which is legally adopted on a fund and department basis. Any changes in the budget must be within the revenues and reserves estimated as available by the City Finance Director and must be approved by an affirmative vote of the majority of the City Council. Department heads of the City may make budgetary transfers between line items within departmental budgets without City Council approval.

Budgets are formally adopted for the General fund; the Port Authority, Public Library, Bigwood Event Center, Revolving Loan, Tax Increment Districts and Tax Abatement special revenue funds; the G.O. Port Authority 2019A, Permanent Improvement Revolving, G.O. Capital Improvement 2010A, G.O. Capital Improvement 2012C, and G.O. Sales Tax Revenue 2017A debt service funds; and the Operations and the Airport Capital Improvement capital projects funds.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary information (Continued)

Encumbrances are not used by the City. Budgeted expenditures lapse at year end with the exception of budgeted capital outlay and ice and snow removal expenditures in the General fund and certain special revenue funds. Unexpended budgets for capital outlay and ice and snow removal expenditures are reported as assigned fund balances.

Budget-to-actual statements are presented for the General fund and the Port Authority special revenue fund as part of the basic financial statements.

B. Expenditures in excess of appropriations

Expenditures exceeded appropriations in the following funds for the year ended December 31, 2020 as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Port Authority	\$250,649	\$253,607	\$2,958
Tax Increment Districts	213,790	256,014	42,224
Debt Service Funds:			
G.O. Port Authority 2019A	141,676	184,596	42,920
Permanent Improvement Revolving	642,955	665,868	22,913
G.O. Capital Improvement 2010A	70,550	78,623	8,073
G.O. Capital Improvement 2012C	364,325	429,426	65,101
Capital Project Fund:			
Airport Capital Improvement	500,539	606,890	106,351

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota State Statutes. Each fund's portion of this pool is displayed on the financial statements as "Cash and cash equivalents" and "Investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below:

The following amounts are classified as restricted assets on the statement of net position: Governmental Activity customer deposits of \$27,378 and Waste Management financial assurance of \$3,183,862. The various restricted assets are included in deposits and investments.

Deposits

Custodial credit risk - deposits: As of December 31, 2020, the City's bank balance of \$9,442 was not exposed to custodial credit risk as it was appropriately insured and collateralized.

Investments

Custodial credit risk - investments: The City's investments are classified as insured or registered, or securities held by the City or its agent in the City's name.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes its credit risk by investing primarily in U.S. government backed securities. In accordance with the City's investment policy, the taxable municipal general obligation bonds are rated A or higher and the taxable municipal revenue bonds are rated AA or higher. The U.S. Agencies that are not explicitly guaranteed by the U.S. Government are rated Aaa. At December 31, 2020, the City's investment of \$1,600,643 in the Wells Fargo Government Money Market Fund is rated AAA by Standard & Poor's.

As of December 31, 2020, the City had the following investments:

	Fair Value	Investment Maturities (in years)			
		<1	1-5	5-10	>10
U.S. Treasuries	\$6,822,160	\$1,615,374	\$3,668,585	\$1,538,201	
U.S. Agencies	17,644,150	10	3,160,471	3,374,794	11,108,875
Taxable Municipal - G.O. Bonds	4,405,505		1,225,533	2,779,391	400,581
Taxable Municipal - Revenue Bonds	301,729		104,216	197,513	
Total	\$29,173,544	\$1,615,384	\$8,158,805	\$7,889,899	\$11,509,456

The City has an account with the Minnesota Municipal Money Market Fund (4M Fund). The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool. As of December 31, 2020, the 4M Fund balance of the account was \$9,952,510 with a carrying value of \$10,242,335. The 4M Fund is valued at amortized cost, which approximates fair value. The carrying value is reported in the brokered mutual fund money market accounts. The 4M Fund is invested in accordance with State statutes for municipalities.

The City has the following recurring fair value measurements as of December 31, 2020:

- Investments of \$6,310,520 are valued using quoted market prices (Level 1 inputs)
- Investments of \$22,863,024 are valued using a matrix pricing model (Level 2 inputs)

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

Balance of cash and investments at December 31, 2020, is as follows:

Total investments	\$29,173,544
Brokered mutual fund money market accounts	11,842,978
Change funds	7,530
Total deposits	<u>7,500</u>
TOTAL CASH AND INVESTMENTS	<u>\$41,031,552</u>
(Including cash equivalents)	
Cash and investments - Primary Government	\$40,286,807
Cash and investments - Fiduciary Funds	420,865
Cash and temporary cash investments of component units	<u>323,880</u>
TOTAL CASH AND INVESTMENTS - Reporting Entity	<u>\$41,031,552</u>
(Including cash equivalents)	

Cash and investments are classified on the Statement of Net Position and the Statement of Fiduciary Net Position as of December 31, 2020, as follows:

Cash and cash equivalents - Primary Government	\$10,702,023
Cash and cash equivalents - PEG Access	218,623
Cash and cash equivalents - Fergus Falls Convention and Visitor's Bureau, Inc.	105,257
Cash and cash equivalents - Custodial Funds	420,865
Investments	26,373,544
Restricted assets - cash and cash equivalents	411,240
Restricted assets - investments	<u>2,800,000</u>
TOTAL CASH AND INVESTMENTS	<u>\$41,031,552</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$6,174,172	\$13,188			\$6,187,360
Intangible assets	232,170				232,170
Construction in progress	4,923,576	2,002,438	(5,056,134)		1,869,880
Total capital assets, not being depreciated	<u>\$11,329,918</u>	<u>\$2,015,626</u>	<u>(\$5,056,134)</u>		<u>\$8,289,410</u>
Capital assets, being depreciated:					
Buildings and systems	\$38,758,847	\$3,107,066	(\$50,990)		\$41,814,923
Improvements other than buildings	8,001,678	733,637			8,735,315
Machinery and equipment	16,012,329	1,037,035	(368,206)		16,681,158
Infrastructure	59,953,592	1,215,678			61,169,270
Total capital assets, being depreciated	<u>\$122,726,446</u>	<u>\$6,093,416</u>	<u>(\$419,196)</u>		<u>\$128,400,666</u>
Less accumulated depreciation for:					
Buildings and systems	\$12,268,914	\$1,038,272	(\$50,990)		\$13,256,196
Improvements other than buildings	3,266,786	250,107			3,516,893
Machinery and equipment	11,330,529	1,035,045	(289,757)		12,075,817
Infrastructure	32,395,316	1,220,441			33,615,757
Total accumulated depreciation	<u>\$59,261,545</u>	<u>\$3,543,865</u>	<u>(\$340,747)</u>		<u>\$62,464,663</u>
Total capital assets, being depreciated, net	<u>\$63,464,901</u>	<u>\$2,549,551</u>	<u>(\$78,449)</u>		<u>\$65,936,003</u>
Governmental activities capital assets, net	<u>\$74,794,819</u>	<u>\$4,565,177</u>	<u>(\$5,134,583)</u>		<u>\$74,225,413</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$565,940	\$126,282			\$692,222
Construction in progress	2,844,331	1,154,823	(2,848,880)		1,150,274
Total capital assets, not being depreciated	<u>\$3,410,271</u>	<u>\$1,281,105</u>	<u>(\$2,848,880)</u>		<u>\$1,842,496</u>
Capital assets, being depreciated:					
Buildings and systems	\$21,020,552	\$33,179		\$18,400	\$21,072,131
Improvements other than buildings	51,190,854	2,848,880			54,039,734
Machinery and equipment	2,818,342	122,908		(18,400)	2,922,850
Total capital assets, being depreciated	<u>\$75,029,748</u>	<u>\$3,004,967</u>			<u>\$78,034,715</u>
Less accumulated depreciation for:					
Buildings and systems	\$16,511,671	\$291,388		\$3,067	\$16,806,126
Improvements other than buildings	23,203,794	1,141,964			24,345,758
Machinery and equipment	1,622,874	114,938		(3,067)	1,734,745
Total accumulated depreciation	<u>\$41,338,339</u>	<u>\$1,548,290</u>			<u>\$42,886,629</u>
Total capital assets, being depreciated, net	<u>\$33,691,409</u>	<u>\$1,456,677</u>			<u>\$35,148,086</u>
Business-type activities capital assets, net	<u>\$37,101,680</u>	<u>\$2,737,782</u>	<u>(\$2,848,880)</u>		<u>\$36,990,582</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component unit - PEG Access:					
Capital assets, being depreciated:					
Improvements other than buildings	\$62,041				\$62,041
Machinery and equipment	140,477				140,477
Total capital assets, being depreciated	<u>\$202,518</u>				<u>\$202,518</u>
Less accumulated depreciation for:					
Improvements other than buildings	\$51,110	\$3,103			\$54,213
Machinery and equipment	90,641	17,333			107,974
Total accumulated depreciation	<u>\$141,751</u>	<u>\$20,436</u>			<u>\$162,187</u>
Component unit - PEG Access capital assets, being depreciated, net	<u>\$60,767</u>	<u>(\$20,436)</u>			<u>\$40,331</u>

Intangible assets : The City determined the value of internally generated computer software to be \$232,170 as of December 31, 2013. Retroactive reporting was implemented for the capitalization of the software. Due to the permanent nature of the software and its indefinite useful life, the City determined the software will not be amortized.

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$250,978
Airport	217,303
Public safety	299,514
Streets and highways including depreciation of infrastructure	1,650,951
Culture and recreation	981,737
Economic development	138,136
Sanitation	5,246
Total depreciation expense - governmental activities	<u><u>\$3,543,865</u></u>

Business-type activities:

Waste Management	\$193,126
Liquor Store	36,503
Sewage Disposal	569,702
Water Department	543,441
Storm Water	205,518
Total depreciation expense - business-type activities	<u><u>\$1,548,290</u></u>

Component unit - PEG Access:

General government	<u><u>\$20,436</u></u>
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CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

C. Commitments

The City has active projects as of December 31, 2020. The projects include a commitment to purchase a 2020 fire engine, street and infrastructure improvements, public utility infrastructure, improvements at the airport, and phase 2 deconstruction at the RTC. At year end, the City's commitments are as follows:

Project	Total Contract Amount	Spent-to-date	Remaining Commitment
2020 E-One Fire Engine	\$564,177		\$564,177
Airport Taxilane Relocation	463,262	458,343	4,919
Airport Runway Lighting	313,956		313,956
Pebble Lake Public Access	241,885		241,885
Riverside Development - Old Dairy Site	2,051,013	1,860,380	190,633
RTC Phase 2 Deconstruction	2,348,600	2,345,200	3,400
Street Improvements:			
P.I. 5311	60,355	58,881	1,474
P.I. 5330	196,656	160,254	36,402
P.I. 5331	285,291	283,597	1,694
P.I. 5335	171,416		171,416
P.I. 5956	482,493	459,927	22,566
Water Plant - Rehab Reservoir No. 2	448,200		448,200
Total	\$7,627,304	\$5,626,582	\$2,000,722

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2020, is as follows:

Due to/from other funds:

Payable Fund	Receivable Fund					Payable Fund Sub Total
	General	Operations	Waste Management	Sewage Disposal		
General		\$218,068				\$218,068
Port Authority	25	2,302,663				2,302,688
Operations				2,229,803		2,229,803
Other Govt Funds	3,206					3,206
Waste Management		71,409		895		72,304
Liquor Store	3	8,500				8,503
Sewage Disposal	8	73,434				73,442
Water Department	348	59,465	12,933	13,253		85,999
Storm Water		94,683				94,683
Internal Service	10					10
Total	\$3,600	\$2,828,222	\$12,933	\$2,243,951		\$5,088,706

Payable Fund	Receivable Fund			
	Payable Fund Sub Total	Storm Water	Internal Service	Payable Fund Total
General	\$218,068		\$526	\$218,594
Port Authority	2,302,688			2,302,688
Operations	2,229,803			2,229,803
Other Govt Funds	3,206			3,206
Waste Management	72,304			72,304
Liquor Store	8,503			8,503
Sewage Disposal	73,442			73,442
Water Department	85,999	9,756		95,755
Storm Water	94,683			94,683
Internal Service	10		147,714	147,724
Total	\$5,088,706	\$9,756	\$148,240	\$5,246,702

The balances between funds result from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The majority of these balances consist of reimbursements for capital or administration expenditures.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers (Continued)

Advances to/from other funds:

Payable Fund	Receivable Fund
Other Governmental Funds	General Fund
	\$8,632

Interfund advances are used to fund various long-term project expenditures/expenses.

Interfund transfers:

Transfer Out	Transfer In				Sub Total
	General	Operations	Other Governmental Funds	Internal Service	
General		\$42,302		\$8,975	\$51,277
Operations			649,305		649,305
Other Govt Funds	2,397	261			2,658
Waste Management	246,306				246,306
Liquor Store	595,030	8,500			603,530
Sewage Disposal	276,655	3,582			280,237
Water Department	244,839	17,145			261,984
Storm Water	89,129	97,575			186,704
Internal Service	136,093				136,093
Total	\$1,590,449	\$169,365	\$649,305	\$8,975	\$2,418,094

Transfers are made to provide funding for debt service, capital projects, technology, library materials, and property tax reductions.

E. Leases

The City is the lessor in an operating lease for a building owned by the Fergus Falls Port Authority and leased to the State of Minnesota for the operation of a Community Behavioral Health Hospital. The original lease was extended for a term of ten years commencing October 1, 2016 and continuing through September 30, 2026. The monthly lease payments are \$17,607. The cost of the facility is \$3,976,110 with a carrying cost of \$2,654,194 as of December 31, 2020.

The City is the lessor in a capital lease for a building owned by the Fergus Falls Port Authority and leased to Lakes Country Service Cooperative for the operation of a Level IV Special Education Facility. The Fergus Falls Port Authority issued \$2,765,000 General Obligation Bonds, Series 2019A to finance the facility. The lease is for a term of thirty years commencing on July 1, 2019 and ending on June 30, 2049. The monthly lease payments are \$11,654 and are pledged to the payment of debt service on the bonds. The cost of the facility is \$2,813,644 with a carrying cost of \$2,778,473 as of December 31, 2020.

Future minimum lease payments:

2021	\$141,250
2022	141,450
2023	141,550
2024	141,550
2025	138,950

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Fund Balances

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Capital Projects Operations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Port Authority</u>	<u>G.O. Port Authority 2019A</u>				
Nonspendable:							
Inventories	\$191,603						\$191,603
Prepaid items	10,752						10,752
Permanent fund principal						14,301	14,301
Restricted for:							
Bad debts						29,450	29,450
Fire truck purchase	438,387						438,387
Canine program	3,253						3,253
CBHH capital maintenance		423,737					423,737
CBHH operations		29,022					29,022
Community Ice Arena	1,133,256						1,133,256
Debt service			41,167			819,322	860,489
E & G Noyes Park	442						442
Infrastructure improvements					12,078		12,078
Library expansion					441,001	680,646	1,121,647
Library purposes						45,466	45,466
Park improvements	20,650					5,702	26,352
Police forfeitures	94,751						94,751
Police programs	8,892						8,892
Public restrooms	7,876						7,876
Revolving loans						3,447,574	3,447,574
Street maintenance	1,064,351						1,064,351
Tax increment plans						139,348	139,348
Tri-centennial	9,194						9,194
Committed to:							
Airport capital improvements						228,826	228,826
Bigwood Event Center capital maintenance						183,071	183,071
Tax abatement - Fergus Care Center						11,353	11,353
Tax abatement - Platte Properties						4,584	4,584
Tax abatement - Platte Properties 2						170	170
Tax abatement - Westridge Mall						135,156	135,156
Assigned to:							
Bigwood Event Center						90,000	90,000
Capital projects					1,075,657		1,075,657
Future capital outlay	1,076,722					84,228	1,160,950
Library operations						447,444	447,444
Park improvements						15,215	15,215
Port Authority operations		2,097,604					2,097,604
Regional Treatment Center	43,381						43,381
Revolving loans/ development projects						1,469,162	1,469,162
Snow removal	51,031						51,031
Unassigned	6,031,039						6,031,039
Total fund balances	\$10,185,580	\$2,550,363	\$41,167	\$1,528,736	\$7,851,018	\$22,156,864	

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 4 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Fergus Falls place a final cover on its municipal solid waste landfill, ash monocell, and demolition debris cell when closed and perform certain maintenance and monitoring functions at the sites for thirty years after closure. In addition to operating expenses related to current activities of these facilities, an expense provision and related liability have been recognized for future closure and postclosure care costs that will be incurred near or after the date they no longer accept waste. The recognition of these closure and postclosure costs is based on the portion of the total capacity used during each year. In 1993, the City of Fergus Falls closed its municipal solid waste landfill in accordance with EPA regulations for unlined landfills. The City determined that total closure costs would be \$1,022,851 and estimated that postclosure care costs would total \$354,000 for the thirty-year period. The unpaid liability for these costs was recognized in full at December 31, 1993, since the landfill was closed. The ash monocell was closed in 2006 after the City discontinued burning waste at the City’s Waste-to-Energy facility (incinerator). The demolition debris cell (permit SW 184) was 100 percent filled at December 31, 2010. Permit site SW 184 was officially closed in 2012. The City began operating the Phase I interim demolition debris cell under permit SW 184 which was changed to permit SW 572 upon approval from the State of Minnesota in 2011. The City initiated construction of a new landfill (permit SW 572) during 2010. As of December 31, 2020, 8.02 percent of the total capacity of the new site (permit SW 572) had been used. Permit SW 572 has an estimated 64 years of useful life remaining. The total estimated liability for landfill closure/postclosure costs of the two sites is as follows at December 31, 2020:

Municipal Solid Waste Landfill (SW 184)	
Estimated postclosure costs	\$824,241
Municipal Solid Waste Landfill (SW 572)	
Estimated closure/postclosure costs	97,819
	\$922,060

Remaining closure/postclosure costs for the demolition debris cell are estimated to be \$452,181 at December 31, 2020. The City of Fergus Falls will recognize the remaining estimated closure and postclosure care costs as the remaining estimated capacity is filled, and ultimately closed. The liability for permit SW 184 is based on estimated closure and postclosure costs approved by the State of Minnesota in 2008. The liability for permit SW 572 is based on engineering estimates. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State law to maintain funding within a trust to finance closure and postclosure care of permit site SW 184. The contingency action funds of \$918,502 are also held within the trust for remediation of potential environmental hazards. The City is in compliance with the State requirements and at December 31, 2020, funds of \$3,183,862 are held for these purposes. The funds are reported as restricted assets on the statement of net position. The City expects that future inflation costs will be paid from investment earnings on the trust. However, if investment earnings are inadequate or additional postclosure care requirements are determined; the costs may need to be covered by future utility revenues.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 5 - LONG-TERM DEBT

A. General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued to provide funds for proprietary activities are reported within business-type activities if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund general obligation bonds and general obligation revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation sales tax revenue bonds are expected to be repaid from a local option sales tax and contributions. Improvement bonds are expected to be repaid from assessments to the benefited properties, general property tax levies, and transfers from proprietary funds. General obligation Port Authority bonds are expected to be repaid from lease payments from the building tenant.

Summary of General Obligation Bonds Payable as of December 31, 2020

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance</u>
Governmental activities				
Capital Improvement	\$3,955,000	2021-2032	2.00-4.00	\$3,955,000
Equipment Certificates	400,000	2021-2029	2.00-4.00	400,000
Sales Tax Revenue Bonds	7,055,000	2021-2023	3.00-4.00	3,135,000
Improvement	3,935,000	2021-2035	1.60-5.00	2,375,000
Port Authority	3,031,124	2021-2049	2.00-4.00	2,971,124
Total governmental activities				<u>\$12,836,124</u>
Business-type activities				
G.O. Revenue Bonds	\$5,100,000	2021-2038	2.00-5.00	<u>\$5,010,000</u>
Total general obligation bonds				<u>\$17,846,124</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$1,905,000	\$413,579	\$320,000	\$174,799
2022	1,885,000	343,721	375,000	158,144
2023	1,620,472	279,493	390,000	144,906
2024	735,471	220,483	400,000	131,094
2025	615,471	196,949	425,000	116,756
2026-2030	2,942,355	647,403	1,575,000	364,581
2031-2035	1,527,355	324,268	1,295,000	140,112
2036-2040	500,000	204,150	230,000	15,694
2041-2045	575,000	123,525		
2046-2049	530,000	32,550		
Total	<u>\$12,836,124</u>	<u>\$2,786,121</u>	<u>\$5,010,000</u>	<u>\$1,246,086</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 5 - LONG-TERM DEBT (Continued)

A. General obligation bonds (Continued)

The City issued \$7,405,000 of General Obligation (G.O.) Bonds, Series 2020A, dated October 28, 2020. The bonds were issued to refund existing bonds and provide \$400,000 for the purchase of a fire truck to replace Engine No. 2. The refunding bond portion of \$7,005,000 was issued to refund the 2021 through 2024 maturities of the G.O. PIR Bonds, Series 2009A; the 2021 through 2029 maturities of the G.O. Capital Improvement Plan Bonds, Series 2010A; the 2021 through 2031 maturities of the G.O. Disposal System Revenue Bonds, Series 2011B; the 2021 through 2026 maturities of the G.O. Crossover Refunding Bonds, Series 2012A; the 2021 through 2027 maturities of the G.O. PIR Bonds, Series 2012B; and the 2021 through 2032 maturities of the G.O. Capital Improvement Plan Bonds, Series 2012C. The refunding was undertaken to reduce the total debt service payments over the subsequent twelve years by \$590,396 and resulted in a net present value benefit of \$565,083.

The Fergus Falls Port Authority approved the issuance of a \$851,510 General Obligation (G.O.) Bond, Series 2020A, dated April 24, 2020 to finance the demolition and cleanup of the old dairy site. The purchaser of the bond is the Minnesota Department of Employment and Economic Development (DEED) through the DEED Demolition Loan Program. As of December 31, 2020, \$266,124 had been issued and \$585,386 was unissued. The City pledged its full faith and credit for payment of the bond.

The Fergus Falls Port Authority approved the issuance of a \$450,000 General Obligation (G.O.) Bond, Series 2020B, dated July 10, 2020 to finance environmental cleanup of the old dairy site. The purchaser of the bond is the Minnesota Department of Employment and Economic Development (DEED) through the DEED Cleanup Revolving Loan Fund. As of December 31, 2020, the bond had not been issued; \$450,000 was unissued. The City pledged its full faith and credit for payment of the bond.

B. Other long-term liabilities

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance</u>
Governmental activities				
Loans and contracts	\$76,591	2021-2022	5.45	\$31,382
USDA loan payable	900,000	2021-2023	1.00	108,662
Total governmental activities				<u>\$140,044</u>

Annual debt service requirements to maturity for other long-term liabilities payable are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$51,204	\$2,797
2022	52,395	1,605
2023	36,445	364
Total	<u>\$140,044</u>	<u>\$4,766</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 5 - LONG-TERM DEBT (Continued)

C. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
G.O. Capital Improvement	\$4,640,000	\$3,955,000	\$4,640,000	\$3,955,000	\$285,000
G.O. Equipment Certificates		400,000		400,000	25,000
G.O. Sales Tax Revenue Bonds	4,225,000		1,090,000	3,135,000	1,125,000
G.O. Improvement	3,035,000	1,290,000	1,950,000	2,375,000	415,000
Port Authority	2,765,000	266,124	60,000	2,971,124	55,000
Bond premium	484,618	608,862	80,925	1,012,555	
Loans and contracts	45,868		14,486	31,382	15,275
USDA loan payable	144,237		35,575	108,662	35,929
Compensated absences	1,223,172	606,449	509,260	1,320,361	698,937
Governmental activity Long-term liabilities	<u>\$16,562,895</u>	<u>\$7,126,435</u>	<u>\$8,380,246</u>	<u>\$15,309,084</u>	<u>\$2,655,141</u>
Business-type activities:					
Bonds payable:					
G.O. Revenue Bonds	\$5,440,000	\$1,760,000	\$2,190,000	\$5,010,000	\$320,000
G.O. Revenue Bonds Premium	287,119	195,093	22,364	459,848	
Compensated absences	433,493	221,195	246,268	408,420	196,514
Liability for landfill closure/postclosure	1,015,400	30,998	124,338	922,060	50,000
Business-type activities Long-term liabilities	<u>\$7,176,012</u>	<u>\$2,207,286</u>	<u>\$2,582,970</u>	<u>\$6,800,328</u>	<u>\$566,514</u>
Component unit - PEG Access:					
Compensated absences	<u>\$6,619</u>	<u>\$3,410</u>	<u>\$2,888</u>	<u>\$7,141</u>	<u>\$3,197</u>
Component unit - FF CVB					
Compensated absences	<u>\$1,417</u>	<u>\$5,158</u>	<u>\$1,235</u>	<u>\$5,340</u>	<u>\$3,440</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$36,666 of internal service funds compensated absences are included in the above amounts. In addition, for governmental activities, compensated absences are generally liquidated by the General fund.

For governmental activities, the General fund has liquidated the net other post employment benefit obligation and net pension liability.

Tax increment revenue notes

Tax increment revenue notes payable are not considered general obligations of the City as repayment to the developer(s) occurs if, and only if, sufficient taxes are generated and paid by finance district project(s).

Conduit debt obligations

From time to time the City of Fergus Falls has issued conduit private activity bonds to provide financial assistance to private-sector entities, including non-profit organizations, for the acquisition and construction of industrial and commercial facilities and facilities serving the charitable purposes of non-profit organizations. The bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the City does not report the bonds as liabilities in the accompanying financial statements. As of December 31, 2020 there were ten issues outstanding with a total principal amount payable of \$33,925,071.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters. The City participates with other cities in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage and to provide workers' compensation insurance for its employees. Health care coverage for employees is provided by the City through Lakes Country Service Cooperative (as discussed in Section D, Other Employee Benefits).

The City's general liability policy is on a claims-made basis with a deductible of \$10,000 per occurrence and an annual aggregate deductible of \$20,000 and provides for a limit of \$2 million in liability coverage with \$3 million in aggregate. For the year ending December 31, 2020, premiums for liability and property coverage totaled \$168,745 and \$203,785, respectively. The City also provides a blanket dishonesty policy, which includes a faithful performance bond on all employees up to \$250,000. The City's Municipal Liquor Store general liability/liquor liability policy is included within the LMCIT package, which provides for \$1 million of coverage per occurrence and an aggregate of \$1 million. The cost for the liquor store liability coverage in 2020 was \$6,321.

The City also participates in the LMCIT for its workers' compensation insurance program, which is administered by a third-party, Berkley Administrators. The City has selected the guaranteed premium option for workers' compensation to reduce the risk in fluctuation of premiums. The cost to the City for workers' compensation for the year ended December 31, 2020, was \$252,118.

The City continued to carry commercial insurance for standard liability, liquor store liability, property and automotive, and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In 2020, there was no significant reduction in insurance coverage.

B. Contingent liabilities

The City participates in a number of Federal and State assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for various periods prior to or including the year ended December 31, 2020, have not yet been accepted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans

The City participates in various pension plans. Total pension expense for the year ended December 31, 2020 was \$512,794 [PERA \$226,193, PEPFF \$336,569, DCP \$3,375 and the Fergus Falls Fire Department Relief Association (\$53,343)]. The components of pension expense are noted in the following plan summaries.

1. Defined benefit pension plans – statewide employees plan

a. Plan description

The City of Fergus Falls participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees of the City of Fergus Falls are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

b. Benefits provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State statute and can only be modified by the State legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

b. Benefits provided (Continued)

1. General Employees Plan benefits

General Employees Plan benefits are based on a member's highest salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

b. Benefits provided (Continued)

2. Police and Fire Plan benefits (Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

c. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State legislature.

1. General Employees Fund contributions

Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in calendar year 2020 and the City of Fergus Falls was required to contribute 7.5 percent for Coordinated Plan members. The City of Fergus Falls' contributions to the General Employees Fund for the year ended December 31, 2020, were \$446,454. The City of Fergus Falls' contributions were equal to the required contributions as set by State statute.

2. Police and Fire Fund contributions

Police and Fire member's contribution rates increased from 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City of Fergus Falls' contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$386,732. The City of Fergus Falls' contributions were equal to the required contributions as set by state statute.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs

1. General Employees Fund pensions costs

At December 31, 2020, the City of Fergus Falls reported a liability of \$5,078,152 for its proportionate share of the General Employees Fund’s net pension liability. The City of Fergus Falls’ net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City of Fergus Falls totaled \$156,571. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Fergus Falls’ proportionate share of the net pension liability was based on the City of Fergus Falls’ contributions received by PERA during the measurement period for the employer payroll dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The City of Fergus Falls’ proportionate share was .0847 percent at the end of the measurement period and .0851 percent for the beginning of the period.

City of Fergus Falls' proportionate share of the net pension liability	\$5,078,152
State of Minnesota's proportionate share of the net pension liability associated with the City of Fergus Falls	<u>156,571</u>
Total	<u><u>\$5,234,723</u></u>

For the year ended December 31, 2020, the City of Fergus Falls recognized pension expense of \$226,193 for its proportionate share of the General Employee Plan’s pension expense. Included in this amount, the City of Fergus Falls recognized an additional \$13,626 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

1. General Employees Fund pension costs (Continued)

At December 31, 2020, the City of Fergus Falls reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$46,596	\$19,213
Changes in actuarial assumptions		191,064
Difference between projected and actual investment earnings	72,844	
Changes in proportion	27,132	113,669
Contributions paid to PERA subsequent to the measurement date	224,148	
Total	\$370,720	\$323,946

The \$224,148 reported as deferred outflows of resources related to pensions resulting from the City of Fergus Falls’ contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense Amount
2021	(\$327,809)
2022	(63,309)
2023	91,054
2024	122,690
Total	(\$177,374)

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

2. Police and Fire Fund pension costs

At December 31, 2020, the City of Fergus Falls reported a liability of \$2,534,431 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Fergus Falls' proportionate share of the net pension liability was based on the City of Fergus Falls' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of Fergus Falls' proportionate share was .1936 percent at the end of the measurement period and .1974 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9 million in the fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City of Fergus Falls recognized pension expense of \$336,569 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City of Fergus Falls recognized an additional \$18,499 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

2. Police and Fire Fund pension costs (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City of Fergus Falls recognized \$17,424 for the year ended December 31, 2020 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

At December 31, 2020, the City of Fergus Falls reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$111,348	\$118,303
Changes in actuarial assumptions	834,860	1,524,676
Difference between projected and actual investment earnings	93,085	
Changes in proportion	87,367	87,218
Contributions paid to PERA subsequent to the measurement date	194,330	
Total	\$1,320,990	\$1,730,197

The \$194,330 reported as deferred outflows of resources related to pensions resulting from the City of Fergus Falls’ contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

2. Police and Fire Fund pension costs (Continued)

Year ended December 31,	Pension Expense Amount
2021	(\$164,706)
2022	(683,118)
2023	127,127
2024	122,076
2025	(4,946)
Total	(\$603,537)

e. Actuarial assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry–age normal actuarial cost method and the following actuarial assumptions:

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>
Inflation	2.25% per year	2.50% per year
Active member payroll growth	3.00% per year	3.25% per year
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for the plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuation if approved by the Legislature.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

e. Actuarial assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees fund:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2 – 5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2020 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale-MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

e. Actuarial assumptions (Continued)

- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changes from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2 percent for the period July 1, 2020 through December 31, 2023 and 0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire fund:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

e. Actuarial assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

f. Discount rate

The discount rate used to measure the total pension liability in 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Pension liability sensitivity

The following presents the City of Fergus Falls' proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Fergus Falls' proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

g. Pension liability sensitivity (Continued)

Sensitivity of Net Pension Liability/(Asset) at Different Discount Rates				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$8,138,516	6.50%	\$5,068,791
Current Discount Rate	7.50%	5,078,152	7.50%	2,534,431
1% Higher	8.50%	2,553,597	8.50%	437,693

h. Pension plan fiduciary net position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

2. Defined contribution plan

Seven council members and the Mayor of the City of Fergus Falls are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent (.25 percent) of the assets in each member's account annually.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

2. Defined contribution plan (Continued)

Pension expense for the year is equal to the contributions made by the employer. Total pension expense and contributions made by the City of Fergus Falls during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$3,375	\$3,375	5%	5%	5%

3. Defined benefit pension plan – volunteer fire fighter's relief association

a. Plan description

The Fergus Falls Fire Department Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Fergus Falls Fire Department per Minnesota State Statutes.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Fergus Falls Fire Department Relief Association, 325 East Washington Avenue, Fergus Falls, MN 56537 or by calling (218) 736-6983.

b. Benefits provided

Volunteer fire fighters of the City are members of the Fergus Falls Fire Department Relief Association. Any member who has completed at least ten years of active membership in the Association and who separates from active service as a fire fighter after attaining the minimum retirement age of 50 is eligible for a lump sum retirement benefit. After ten years of active service, a member is entitled to 60 percent of \$5,150 multiplied by the number of years of service. This amount is increased by 4 percent a year until 20 years of active service have been completed. After 20 year of active service, a member is entitled to the full \$5,150 multiplied by the number of years served. Upon death of any member in good standing, the survivor or estate of the deceased is entitled to receive \$5,150 for each year of active service of that member. In the event that the death occurs after the member has terminated or retired from the Association, only the vested portion of the pension shall be distributed. These benefit provisions and all other requirements are consistent with enabling State statutes.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

c. Employees covered by benefit terms

At January 1, 2019, the following volunteers were covered by the benefit terms:

Vested terminated and transfers	9
Active	<u>40</u>
	49

d. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less State aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$100,962 made by the State of Minnesota for the Relief Association

e. Net pension liability

The City's net pension liability was measured as of January 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

1. Actuarial assumptions

The total pension liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increase	2.50 percent
Investment rate of return	5.50 percent

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

e. Net pension liability (Continued)

1. Actuarial assumptions (Continued)

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. The Association's investment policy provides for the following parameters:

- No more than 15 percent of the overall portfolio may be invested in securities of a single issuer except for the U.S. Treasury.
- No more than 75 percent of the Relief Association's assets shall be invested in equity securities or equity mutual funds.
- No more than 75 percent of the Relief Association's assets shall be invested in debt securities or debt securities mutual funds.

2. Discount rate

The discount rate used to measure the total pension liability was 5.50 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

e. Net pension liability (Continued)

3. Changes in the net pension liability

	Total Pension Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at January 1, 2019 plan year	<u>\$1,376,653</u>	<u>\$2,272,461</u>	<u>(\$895,808)</u>
Changes from the prior year:			
Service cost	\$85,297		\$85,297
Interest cost	80,407		80,407
Plan changes	64,905		64,905
Nonemployer contributions		102,267	(102,267)
Projected investment return		127,557	(127,557)
Gain or loss		321,023	(321,023)
Administrative expenses		<u>(8,736)</u>	<u>8,736</u>
Total net changes	<u>\$230,609</u>	<u>\$542,111</u>	<u>(\$311,502)</u>
Balances at December 31, 2019 plan year	<u><u>\$1,607,262</u></u>	<u><u>\$2,814,572</u></u>	<u><u>(\$1,207,310)</u></u>

4. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 5.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50 percent) or 1 percentage point higher (6.50 percent) than the current rate:

	1% Decrease <u>(4.50%)</u>	Current Rate <u>(5.50%)</u>	1% Increase <u>(6.50%)</u>
City's net pension liability/(asset)	<u>(\$1,149,588)</u>	<u>(\$1,207,310)</u>	<u>(\$1,262,432)</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

e. Net pension liability (Continued)

5. Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

f. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended December 31, 2020, the City recognized pension expense of (\$53,343). At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions made after the measurement date	\$100,961	
Investment gains		218,226
Liability gains		81,325
Assumption changes		40,198
Total deferred outflows/inflows of resources	\$100,961	\$339,749

The \$100,961 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2021	(\$89,886)
2022	(85,334)
2023	(50,869)
2024	(88,221)
2025	(4,240)
Thereafter	(21,199)
Total	(\$339,749)

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

g. Payable to the pension plan

At December 31, 2020, there was no City contribution required for the Fergus Falls Fire Department Relief Association.

D. Other employee benefits

The City participates in the Lakes Country Service Cooperative (LCSC) to purchase health insurance for City employees. LCSC consists of area cities, counties, and school districts which purchase insurance in one large pool, thereby minimizing the risk of fluctuating premiums. The City offers the employees four health insurance plans.

Two of the health insurance plans are Comprehensive Major Medical (CMM) Plans with 70 percent coverage limits. The two 70 percent CMM Plans are \$500 and \$1,000 deductible plans for single and family coverage, respectively. One of the 70 percent CMM Plans allows the employee to visit any health care provider within the entire network to receive maximum benefits, while the other 70 percent CMM Plan is a restricted network plan.

The other two health insurance plans are \$3,250/\$6,500 high deductible health plans with HSAs. One plan allows the employee to visit any healthcare provider while the other is a restricted network plan.

Employer HSA contributions:

- \$500 if enrolled in Single Aware plan
- \$700 if enrolled in Single Blue Connect plan
- \$615 if enrolled in Family Blue Connect plan

Expenditures for health insurance premiums recognized in the various funds for the year ended December 31, 2020, totaled \$1,631,806.

The City also provides a life insurance policy for all full-time City employees and on-call firefighters. Expenditures for life insurance premiums recognized in the various funds for the year ended December 31, 2020, totaled \$10,157.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

D. Other employee benefits (Continued)

In 1991, the City established a flexible benefit plan under Internal Revenue Code Section 125. The plan allows employees to pay for dependent care, medical expenses, and health and outside insurance with pre-tax dollars.

In 2020, the City had the following participation:

	No. Employees Who Elected Benefit	Total Dollar Amount Reclassified
Health Insurance premiums	55	\$135,206
Variable expenses:		
Dependent care assistance (DCA)	3	15,000
Out-of-pocket (Health FSA)	32	46,386
TOTAL ELECTION		\$196,592

E. Postemployment healthcare plan

1. Plan description

The City’s defined benefit OPEB Plan provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by Lakes Country Service Cooperative (LCSC). No assets are accumulated in a trust. Financial information in the form of accounting records for the OPEB Plan is available from the City located at 112 West Washington Avenue, Fergus Falls, Minnesota. The accounting records are audited as a part of the basic financial statements. Separate financial statements have not been issued for the OPEB Plan.

2. Benefits provided

City employees and spouses retiring from service are allowed to remain on the healthcare plan at their own cost.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

3. Contributions

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with LCSC. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2020, the city contributed \$47,375 to the plan.

4. Members

As of January 1, 2019 there were approximately 129 active employees and 8 retirees and family members receiving health benefits from the City's health plan.

5. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	3.8 percent, net of administrative expense
Salary increases	3.0 percent, including inflation
Inflation	2.5 percent
Healthcare cost trend increases	6.25 percent as of January 1, 2020, grading to 5.0 percent over 5 years
Mortality assumption	RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

The discount rate used to measure the total OPEB liability was 3.8 percent based on the long-term investment yield of the City.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

6. Total OPEB Liability

The City’s total OPEB liability of \$829,072 was measured as of January 1, 2020 and was determined by an actuarial valuation as of January 1, 2019.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2019 plan year	<u>\$803,582</u>
Changes for the year	
Service cost	39,653
Interest cost	31,189
Benefit payments	<u>(45,352)</u>
Net changes	<u>25,490</u>
Balances at December 31, 2019 plan year	<u><u>\$829,072</u></u>

Assumption Changes:

- The discount rate was changed from 3.3 percent to 3.8 percent.
- The mortality tables were updated from the RP-14 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Table with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

7. OPEB Liability Sensitivity

The following presents the City’s total OPEB liability calculated using the discount rate of 3.8 percent as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

Total OPEB Liability/(Asset)		
1 percent decrease (2.8 percent)	Current (3.8 percent)	1 percent increase (4.8 percent)
\$888,814	\$829,072	\$773,311

The following presents the total OPEB liability of the City as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower and 1 percent higher than the current healthcare cost trend rates.

1 percent decrease (5.25 percent decreasing to 4.0 percent over 5 years)	Current (6.25 percent decreasing to 5.0 percent over 5 years)	1 percent increase (7.25 percent decreasing to 6 percent over 5 years)
\$746,416	\$829,072	\$925,949

8. OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of resources Related to OPEB

For the year ended December 31, 2020 the City recognized OPEB expense of \$73,789. At December 31, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

8. OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of resources Related To OPEB (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contributions made after the measurement date	\$47,375	
Liability losses	28,751	
Assumption changes		<u>14,018</u>
Total	<u>\$76,126</u>	<u>\$14,018</u>

The \$47,375 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$2,947
2022	2,947
2023	2,947
2024	2,947
2025	<u>2,945</u>
Total	<u><u>\$14,733</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

F. Significant event

The City obtained ownership of the Regional Treatment Center (RTC) campus from the State of Minnesota effective June 30, 2007. An appraisal was performed resulting in a negative asset value; therefore, the amount has not been included within the financial statements. The State of Minnesota allocated funds for the City of Fergus Falls to use for deconstruction and infrastructure related to redevelopment of the campus. During 2011 the City sold two parcels of the campus and redevelopment of those parcels was initiated during 2014. During 2015 the City designated the 13 acres located in front of the RTC as Kirkbride Park. The park had a fair market value of \$370,000 and was included in capital assets. The City constructed utility infrastructure improvements during 2016 which were included in capital assets and also performed preservation projects to select buildings. During the 2018 legislative session, the State of Minnesota allocated \$3,500,000 to the City for further deconstruction of buildings located behind the U-shaped building and preservation of remaining buildings. This appropriation may not be used to demolish the central tower or the U-shaped building connected to the central tower. The phase 2 deconstruction was substantially complete as of December 31, 2020. The City continues to work with potential developers for reuse of the remaining campus. The City is required to remit any sales proceeds (net of expenses) to the State of Minnesota.

G. Tax abatement agreements

The City has entered into tax abatement agreements which meet the criteria for disclosure under Government Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The City's authority to enter into these agreements comes from Minnesota Statute 469. The City entered into these agreements for the purpose of economic development and specific housing needs.

The City entered into a tax abatement agreement with Platte Properties, LLC on April 1, 2016 for the construction of a 24 unit market rate housing project and walking/bike trail. The tax abatement levy began in 2018 and is for 100 percent of the City's share of real estate taxes derived from the tax abatement property in the semiannual amount not to exceed \$9,000 for a 15-year term and an aggregate amount of \$270,000.

The City entered into a tax abatement agreement with Fergus Care Center, LLC on July 16, 2018 for the acquisition and renovation of an existing building located at 1010 Maryland Lane, in the City of Fergus Falls. The building is leased by Fergus Care Center, LLC to the State of Minnesota Department of Health and Human Services. The tax abatement levy will begin in 2020 and will be for 100 percent of the City's share of real estate taxes derived from the tax abatement property in the semiannual amount not to exceed \$7,500 for a 6-year term and an aggregate amount of \$90,000.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6 – OTHER INFORMATION (Continued)

G. Tax abatement agreements (Continued)

The City entered into a tax abatement agreement with Northstar Behavioral Health, LLC on September 1, 2019 for the lease and renovation of an existing building located at 1174 Western Avenue, in the City of Fergus Falls. The building will be used to operate chemical dependency and mental health services. The tax abatement levy will begin in 2021 and will be for 100 percent of the City's share of real estate taxes derived from the tax abatement property payable semiannually over a 10-year term and an aggregate amount of \$381,240.

H. Tax increment financing

The City has entered into seven Tax Increment financing agreements which meet the criteria for disclosure under Government Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The City's authority to enter into these agreements comes from Minnesota Statute 469. The City entered into these agreements for the purpose of economic development and specific housing needs.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2020, the City generated \$246,447 in tax increment from the Tax Increments districts and made \$226,128 in payment to the developers.

I. New standards issued but not yet implemented

GASB Statement No. 87, Leases, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. This statement will be effective for the year ending December 31, 2022.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Total OPEB Liability			
Service cost	\$43,116	\$38,498	\$39,653
Interest cost	24,726	25,624	31,189
Assumption changes		(19,627)	
Differences between expected and actual experience		40,253	
Benefit payments	<u>(34,114)</u>	<u>(37,980)</u>	<u>(45,352)</u>
Net change in total OPEB liability	<u>\$33,728</u>	<u>\$46,768</u>	<u>\$25,490</u>
Beginning of year	<u>\$723,086</u>	<u>\$756,814</u>	<u>\$803,582</u>
End of year	<u><u>\$756,814</u></u>	<u><u>\$803,582</u></u>	<u><u>\$829,072</u></u>
Covered-employee payroll	\$7,585,733	\$7,894,102	\$8,130,925
Total OPEB liability as a percentage of covered-employee payroll	9.98%	10.18%	10.20%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 75 for the year ended December 31, 2018. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

See notes to required supplementary information.

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of City's Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Plan

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0852%	\$4,415,506		\$4,415,506	\$4,922,973	89.69%	78.19%
2016	0.0847%	6,877,217	89,813	6,967,030	5,256,253	130.84%	68.90%
2017	0.0869%	5,547,639	69,760	5,617,399	5,598,587	99.09%	75.90%
2018	0.0886%	4,915,165	161,215	5,076,380	5,952,187	82.58%	79.50%
2019	0.0851%	4,704,988	146,327	4,851,315	6,023,667	78.11%	80.20%
2020	0.0847%	5,078,152	156,571	5,234,723	6,042,840	84.04%	79.10%

Schedule of City's Proportionate Share
of Net Pension Liability
Last Ten Years Public Employees Police and Fire Plan

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.1890%	\$2,147,482		\$2,147,482	\$1,682,667	127.62%	86.61%
2016	0.1890%	7,584,899		7,584,899	1,820,401	416.66%	63.90%
2017	0.1850%	2,497,720		2,497,720	1,894,327	131.85%	85.40%
2018	0.1871%	1,994,293		1,994,293	1,971,704	101.15%	88.80%
2019	0.1974%	2,074,874		2,074,874	2,036,006	101.91%	89.30%
2020	0.1936%	2,534,431	60,129	2,594,560	2,184,924	116.00%	87.20%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

See notes to required supplementary information.

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of City Contributions
General Employees Retirement Plan
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$383,043	\$383,043		\$5,107,240	7.50%
2016	404,283	404,283		5,390,440	7.50%
2017	436,251	436,251		5,816,680	7.50%
2018	451,648	451,648		6,021,973	7.50%
2019	453,503	453,503		6,046,707	7.50%
2020	446,454	446,454		5,952,718	7.50%

Schedule of City Contributions
Public Employees Police and Fire Plan
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$284,750	\$284,750		\$1,757,716	16.20%
2016	301,018	301,018		1,858,136	16.20%
2017	313,333	313,333		1,934,154	16.20%
2018	325,211	325,211		2,007,475	16.20%
2019	366,578	366,578		2,162,702	16.95%
2020	386,732	386,732		2,184,924	17.70%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

See notes to required supplementary information.

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Liability
and Related Ratios - Fergus Falls Fire Department Relief Association

	Measurement Date <u>12/31/2014</u>	Measurement Date <u>12/31/2015</u>	Measurement Date <u>12/31/2016</u>	Measurement Date <u>12/31/2017</u>	Measurement Date <u>12/31/2018</u>	Measurement Date <u>12/31/2019</u>
Total Pension Liability (TPL)						
Service cost	\$63,811	\$69,494	\$67,041	\$73,867	\$79,156	\$85,297
Interest cost	101,369	99,874	105,544	83,169	79,126	80,407
Assumption changes			(80,398)			
Plan changes			14,948	66,621	68,603	64,905
Gain or loss			(77,854)		(50,879)	
Benefit payments	<u>(25,375)</u>	<u>(153,250)</u>	<u>(138,133)</u>	<u>(287,183)</u>	<u>(317,708)</u>	
Net change in total pension liability	<u>\$139,805</u>	<u>\$16,118</u>	<u>(\$108,852)</u>	<u>(\$63,526)</u>	<u>(\$141,702)</u>	<u>\$230,609</u>
Beginning of year	<u>\$1,534,810</u>	<u>\$1,674,615</u>	<u>\$1,690,733</u>	<u>\$1,581,881</u>	<u>\$1,518,355</u>	<u>\$1,376,653</u>
End of Year	\$1,674,615	\$1,690,733	\$1,581,881	\$1,518,355	\$1,376,653	\$1,607,262
Plan Fiduciary Net Pension (FNP)						
State and municipal contributions	\$88,461	\$92,458	\$93,376	\$93,829	\$94,564	\$102,267
Net investment income	176,729	147,280	144,395	129,401	134,201	127,557
Gain or loss		(135,134)	22,761	172,352	(186,802)	321,023
Benefit payments	(25,375)	(153,250)	(138,133)	(287,183)	(317,708)	
Administrative expense	<u>(5,212)</u>	<u>(5,386)</u>	<u>(5,662)</u>	<u>(5,680)</u>	<u>(6,780)</u>	<u>(8,736)</u>
Net change in plan fiduciary net position	<u>\$234,603</u>	<u>(\$54,032)</u>	<u>\$116,737</u>	<u>\$102,719</u>	<u>(\$282,525)</u>	<u>\$542,111</u>
Beginning of year	<u>\$2,154,959</u>	<u>\$2,389,562</u>	<u>\$2,335,530</u>	<u>\$2,452,267</u>	<u>\$2,554,986</u>	<u>\$2,272,461</u>
End of year	\$2,389,562	\$2,335,530	\$2,452,267	\$2,554,986	\$2,272,461	\$2,814,572
Net Pension Liability (NPL)	<u>(\$714,947)</u>	<u>(\$644,797)</u>	<u>(\$870,386)</u>	<u>(\$1,036,631)</u>	<u>(\$895,808)</u>	<u>(\$1,207,310)</u>
FNP as a percentage of the TPL	142.69%	138.14%	155.02%	168.27%	165.07%	175.12%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

See notes to required supplementary information.

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of City Contributions
Fergus Falls Fire Department Relief Association

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Statutorily determined contribution (SDC)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Actual contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
State pass through 2% aid	<u>\$88,461</u>	<u>\$92,458</u>	<u>\$93,376</u>	<u>\$93,829</u>	<u>\$94,181</u>	<u>\$102,267</u>	<u>\$100,961</u>

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality projection scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60.0 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 2017 and 2018, and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The State's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

POLICE AND FIRE FUND

2020 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2018 Changes (Continued)

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.0 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.0 percent for vested and non-vested deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.0 percent to 60.0 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90.0 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

VOLUNTEER FIRE FIGHTER'S RELIEF ASSOCIATION

2020 Changes

Changes in Plan Provisions

- The benefit level changed from \$4,950 to \$5,150.

2019 Changes

Changes in Plan Provisions

- The benefit level changed from \$4,900 to \$4,950.

POSTEMPLOYMENT HEALTHCARE PLAN

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.3 percent to 3.8 percent.
- The mortality tables were updated from the RP-14 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Table with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

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COMBINING AND INDIVIDUAL FUNDS

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020

	<u>Special Revenue</u>		
	<u>Public Library</u>	<u>Bigwood Event Center</u>	<u>Revolving Loan</u>
ASSETS			
Cash and cash equivalents	\$866,282	\$178,502	\$431,718
Restricted cash - customer deposits			
Investments	400,000	50,000	1,550,000
Receivables:			
Taxes	22,278		
Notes, leases, and contracts			2,271,636
Intergovernmental			
Other	3,734	44,569	712,908
Total assets	<u>\$1,292,294</u>	<u>\$273,071</u>	<u>\$4,966,262</u>
LIABILITIES			
Accounts payable	\$12,818		\$116
Accrued salaries payable	31,536		1,698
Retainage payable			
Intergovernmental payable			18,233
Due to other funds	13		29
Advances from other funds			
Interest payable			
Unearned revenue	5,250		
Customer deposits			
Total liabilities	<u>\$49,617</u>		<u>\$20,076</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	<u>\$18,651</u>		
FUND BALANCES			
Nonspendable			
Restricted	692,354		3,477,024
Committed		183,071	
Assigned	531,672	90,000	1,469,162
Total fund balances	<u>\$1,224,026</u>	<u>\$273,071</u>	<u>\$4,946,186</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$1,292,294</u>	<u>\$273,071</u>	<u>\$4,966,262</u>

Special Revenue

Port Authority Tax Increment Districts	Tax Increment Districts	Tax Abatement	Total
\$50,610	\$108,156	\$152,129 7,500	\$1,787,397 7,500 2,000,000
		753	23,031 2,271,636
<u>149</u>	<u>12,776</u>	<u>471</u>	<u>774,607</u>
<u>\$50,759</u>	<u>\$120,932</u>	<u>\$160,853</u>	<u>\$6,864,171</u>
	\$19,057	\$1,500	\$33,491 33,234
	3,164		18,233 3,206
	8,632		8,632
	1,490		1,490
		7,500	5,250 7,500
	<u>\$32,343</u>	<u>\$9,000</u>	<u>\$111,036</u>
		\$590	\$19,241
50,759	88,589	151,263	4,308,726 334,334 2,090,834
<u>\$50,759</u>	<u>\$88,589</u>	<u>\$151,263</u>	<u>\$6,733,894</u>
<u>\$50,759</u>	<u>\$120,932</u>	<u>\$160,853</u>	<u>\$6,864,171</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020

	Debt Service				
	Permanent Improvement Revolving	G.O. Capital Improvement 2010A	G.O. Capital Improvement 2012C	G.O. Sales Tax Revenue 2017A	Total
ASSETS					
Cash and cash equivalents	\$4,602	\$3,000	\$56,564	\$484,774	\$548,940
Restricted cash - customer deposits					
Investments					
Receivables:					
Taxes		2,228	11,617	266,995	280,840
Notes, leases, and contracts					
Intergovernmental	5,508				5,508
Other		9	167	1,429	1,605
Total assets	<u>\$10,110</u>	<u>\$5,237</u>	<u>\$68,348</u>	<u>\$753,198</u>	<u>\$836,893</u>
LIABILITIES					
Accounts payable					
Accrued salaries payable					
Retainage payable					
Intergovernmental payable				5,701	5,701
Due to other funds					
Advances from other funds					
Interest payable	22				22
Unearned revenue					
Customer deposits					
Total liabilities	<u>\$22</u>			<u>\$5,701</u>	<u>\$5,723</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property tax		\$1,910	\$9,938		\$11,848
FUND BALANCES					
Nonspendable					
Restricted	10,088	3,327	58,410	747,497	819,322
Committed					
Assigned					
Total fund balances	<u>\$10,088</u>	<u>\$3,327</u>	<u>\$58,410</u>	<u>\$747,497</u>	<u>\$819,322</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$10,110</u>	<u>\$5,237</u>	<u>\$68,348</u>	<u>\$753,198</u>	<u>\$836,893</u>

(Continued)

<u>Capital Projects</u>		
<u>Parks Improvement</u>	<u>Airport Capital Improvement</u>	<u>Total</u>
\$20,856	\$97,494	\$118,350
	1,281	1,281
	154,980	154,980
61	288	349
<u>\$20,917</u>	<u>\$254,043</u>	<u>\$274,960</u>
	24,123	24,123
	<u>\$24,123</u>	<u>\$24,123</u>
	<u>\$1,094</u>	<u>\$1,094</u>
5,702		5,702
	228,826	228,826
15,215		15,215
<u>\$20,917</u>	<u>\$228,826</u>	<u>\$249,743</u>
<u>\$20,917</u>	<u>\$254,043</u>	<u>\$274,960</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020

	Permanent Funds		
	John B. Renny Library Trust	George Oakes Welch Library Trust	Phebe Lyon Welch Library Trust
ASSETS			
Cash and cash equivalents	\$1,793	\$2,738	\$3,564
Restricted cash - customer deposits			
Investments			
Receivables:			
Taxes			
Notes, leases, and contracts			
Intergovernmental			
Other	6	8	11
Total assets	\$1,799	\$2,746	\$3,575
LIABILITIES			
Accounts payable			
Accrued salaries payable			
Retainage payable			
Intergovernmental payable			
Due to other funds			
Advances from other funds			
Interest payable			
Unearned revenue			
Customer deposits			
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax			
FUND BALANCES			
Nonspendable	\$531	\$885	\$885
Restricted	1,268	1,861	2,690
Committed			
Assigned			
Total fund balances	\$1,799	\$2,746	\$3,575
Total liabilities, deferred inflows of resources, and fund balances	\$1,799	\$2,746	\$3,575

(Continued)

Permanent Funds				
Wheelock Memorial Library Trust	Hilma L. Lundeen Memorial Library Trust	Marguerite R. Patterson Memorial Library Trust	Total	Total Nonmajor Funds
\$4,291	\$4,000	\$31,530	\$47,916	\$2,502,603
				7,500
				2,000,000
				305,152
				2,271,636
				160,488
13	12	93	143	776,704
<u>\$4,304</u>	<u>\$4,012</u>	<u>\$31,623</u>	<u>\$48,059</u>	<u>\$8,024,083</u>
				\$33,491
				33,234
				24,123
				23,934
				3,206
				8,632
				1,512
				5,250
				7,500
				<u>\$140,882</u>
				\$32,183
\$1,000	\$1,000	\$10,000	\$14,301	\$14,301
3,304	3,012	21,623	33,758	5,167,508
				563,160
				2,106,049
<u>\$4,304</u>	<u>\$4,012</u>	<u>\$31,623</u>	<u>\$48,059</u>	<u>\$7,851,018</u>
<u>\$4,304</u>	<u>\$4,012</u>	<u>\$31,623</u>	<u>\$48,059</u>	<u>\$8,024,083</u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2020

	<u>Special Revenue</u>		
	<u>Public Library</u>	<u>Bigwood Event Center</u>	<u>Revolving Loan</u>
REVENUES			
Taxes	\$785,909		
Intergovernmental	111,612		18,233
Charges for services	3,588	22,428	1,300
Fines and forfeits	3,322		
Contributions	99,768		
Investment earnings	45,148	10,272	84,122
Other interest income			52,733
Other	8,555	3,195	
Total revenues	<u>\$1,057,902</u>	<u>\$35,895</u>	<u>\$156,388</u>
EXPENDITURES			
Current:			
Airport			
Culture and recreation	769,557	5,218	
Community development			28,668
Economic development			26,698
Debt service:			
Principal			35,575
Interest			1,441
Other			
Capital outlay	86,701	759	
Total expenditures	<u>\$856,258</u>	<u>\$5,977</u>	<u>\$92,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$201,644</u>	<u>\$29,918</u>	<u>\$64,006</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	(2,397)		
Refunding bonds issued			
Premium on general obligation bonds issued			
Payment of refunded bonds			
Total other financing sources and (uses)	<u>(\$2,397)</u>		
Net change in fund balances	<u>\$199,247</u>	<u>\$29,918</u>	<u>\$64,006</u>
Fund balances - beginning	<u>1,024,779</u>	<u>243,153</u>	<u>4,882,180</u>
Fund balances - ending	<u>\$1,224,026</u>	<u>\$273,071</u>	<u>\$4,946,186</u>

Special Revenue

Port Authority Tax Increment Districts	Tax Increment Districts	Tax Abatement	Total
	\$246,447	\$34,807	\$1,067,163
		6	129,851
			27,316
			3,322
			99,768
2,244	2,322	6,496	150,604
			52,733
	25,158		36,908
<u>\$2,244</u>	<u>\$273,927</u>	<u>\$41,309</u>	<u>\$1,567,665</u>
			774,775
			28,668
	254,524	23,124	304,346
			35,575
	1,490		2,931
			87,460
	<u>\$256,014</u>	<u>\$23,124</u>	<u>\$1,233,755</u>
<u>\$2,244</u>	<u>\$17,913</u>	<u>\$18,185</u>	<u>\$333,910</u>
			(2,397)
			<u>(\$2,397)</u>
<u>\$2,244</u>	<u>\$17,913</u>	<u>\$18,185</u>	<u>\$331,513</u>
<u>48,515</u>	<u>70,676</u>	<u>133,078</u>	<u>6,402,381</u>
<u>\$50,759</u>	<u>\$88,589</u>	<u>\$151,263</u>	<u>\$6,733,894</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2020

Debt Service

	Permanent Improvement Revolving	G.O. Capital Improvement 2010A	G.O. Capital Improvement 2012C	G.O. Sales Tax Revenue 2017A	Total
REVENUES					
Taxes		\$68,048	\$363,988	\$1,430,063	\$1,862,099
Intergovernmental		11	59		70
Charges for services					
Fines and forfeits					
Contributions					
Investment earnings	(2,611)	(111)	(1,066)	28,980	25,192
Other interest income					
Other					
Total revenues	(\$2,611)	\$67,948	\$362,981	\$1,459,043	\$1,887,361
EXPENDITURES					
Current:					
Airport					
Culture and recreation				22,843	22,843
Community development					
Economic development					
Debt service:					
Principal	560,000	50,000	275,000	1,090,000	1,975,000
Interest	81,837	20,055	89,325	146,850	338,067
Other	24,031	8,568	65,101	495	98,195
Capital outlay					
Total expenditures	\$665,868	\$78,623	\$429,426	\$1,260,188	\$2,434,105
Excess (deficiency) of revenues over (under) expenditures	(\$668,479)	(\$10,675)	(\$66,445)	\$198,855	(\$546,744)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$649,305				\$649,305
Transfers (out)	(261)				(261)
Refunding bonds issued	1,290,000	460,000	3,495,000		5,245,000
Premium on general obligation bonds issued	128,155	55,801	375,003		558,959
Payment of refunded bonds	(1,390,000)	(510,000)	(3,805,000)		(5,705,000)
Total other financing sources and (uses)	\$677,199	\$5,801	\$65,003		\$748,003
Net change in fund balances	\$8,720	(\$4,874)	(\$1,442)	\$198,855	\$201,259
Fund balances - beginning	1,368	8,201	59,852	548,642	618,063
Fund balances - ending	\$10,088	\$3,327	\$58,410	\$747,497	\$819,322

(Continued)

<u>Capital Projects</u>		
<u>Parks Improvement</u>	<u>Airport Capital Improvement</u>	<u>Total</u>
	\$40,025	\$40,025
	583,553	583,553
925	2,670	3,595
<u>\$925</u>	<u>\$626,248</u>	<u>\$627,173</u>
	\$702	\$702
	606,188	606,188
	\$606,890	\$606,890
<u>\$925</u>	<u>\$19,358</u>	<u>\$20,283</u>
<u>\$925</u>	<u>\$19,358</u>	<u>\$20,283</u>
<u>19,992</u>	<u>209,468</u>	<u>229,460</u>
<u>\$20,917</u>	<u>\$228,826</u>	<u>\$249,743</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2020

	Permanent Funds		
	John B. Renny Library Trust	George Oakes Welch Library Trust	Phebe Lyon Welch Library Trust
REVENUES			
Taxes			
Intergovernmental			
Charges for services			
Fines and forfeits			
Contributions			
Investment earnings	80	122	158
Other interest income			
Other			
Total revenues	\$80	\$122	\$158
EXPENDITURES			
Current:			
Airport			
Culture and recreation			
Community development			
Economic development			
Debt service:			
Principal			
Interest			
Other			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	\$80	\$122	\$158
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)			
Refunding bonds issued			
Premium on general obligation bonds issued			
Payment of refunded bonds			
Total other financing sources and (uses)			
Net change in fund balances	\$80	\$122	\$158
Fund balances - beginning	1,719	2,624	3,417
Fund balances - ending	\$1,799	\$2,746	\$3,575

(Continued)

Permanent Funds				
Wheelock Memorial Library Trust	Hilma L. Lundeen Memorial Library Trust	Marguerite R. Patterson Memorial Library Trust	Total	Total Nonmajor Funds
				\$2,969,287
				713,474
				27,316
				3,322
				99,768
191	177	1,399	2,127	181,518
				52,733
				36,908
<u>\$191</u>	<u>\$177</u>	<u>\$1,399</u>	<u>\$2,127</u>	<u>\$4,084,326</u>
				\$702
				797,618
				28,668
				304,346
				2,010,575
				340,998
				98,195
				693,648
				<u>\$4,274,750</u>
<u>\$191</u>	<u>\$177</u>	<u>\$1,399</u>	<u>\$2,127</u>	<u>(\$190,424)</u>
				\$649,305
				(2,658)
				5,245,000
				558,959
				<u>(5,705,000)</u>
				<u>\$745,606</u>
\$191	\$177	\$1,399	\$2,127	\$555,182
4,113	3,835	30,224	45,932	7,295,836
<u>\$4,304</u>	<u>\$4,012</u>	<u>\$31,623</u>	<u>\$48,059</u>	<u>\$7,851,018</u>

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
General property tax	\$5,055,457	\$5,055,457	\$5,008,837	(\$46,620)
Lodging tax	143,000	143,000	90,992	(52,008)
Mobile home tax	3,500	3,500	4,200	700
Penalties and interest on taxes	5,500	5,500	3,176	(2,324)
Total taxes	<u>\$5,207,457</u>	<u>\$5,207,457</u>	<u>\$5,107,205</u>	<u>(\$100,252)</u>
Licenses and permits	179,175	179,175	182,754	3,579
Intergovernmental:				
Federal	\$22,500	\$22,500	\$1,065,139	\$1,042,639
State	4,826,715	4,857,705	4,510,634	(347,071)
Other	108,000	112,000	102,076	(9,924)
Total intergovernmental	<u>\$4,957,215</u>	<u>\$4,992,205</u>	<u>\$5,677,849</u>	<u>\$685,644</u>
Charges for services	963,202	963,202	845,953	(117,249)
Fines and forfeits	72,050	115,269	106,439	(8,830)
Contributions	22,500	31,750	53,578	21,828
Investment earnings	120,000	120,000	360,476	240,476
Rent	58,100	58,100	54,410	(3,690)
Other	75,000	75,000	76,764	1,764
Total revenues	<u>\$11,654,699</u>	<u>\$11,742,158</u>	<u>\$12,465,428</u>	<u>\$723,270</u>
EXPENDITURES				
General government:				
City council	\$70,450	\$70,450	\$68,503	(\$1,947)
Ordinances and proceedings	10,000	10,000	8,139	(1,861)
Mayor	16,321	16,321	15,589	(732)
Communications	12,000	15,500	15,133	(367)
City administrator	284,551	284,551	276,773	(7,778)
Elections	27,665	36,330	33,289	(3,041)
Finance	338,203	338,203	331,699	(6,504)
Investment management	71,300	71,300	71,640	340
Data processing	366,228	366,228	331,585	(34,643)
Legal	192,248	192,248	194,835	2,587
Human resources	248,283	248,283	246,996	(1,287)
Wellness program	1,000	4,066		(4,066)
Planning and zoning	120,236	185,736	135,969	(49,767)
Cable television	115,130	115,130	111,098	(4,032)
Annexation	24,624	24,624	25,286	662
General government buildings	218,426	218,426	208,060	(10,366)
Other	133,189	181,788	60,706	(121,082)
Total general government	<u>\$2,249,854</u>	<u>\$2,379,184</u>	<u>\$2,135,300</u>	<u>(\$243,884)</u>

(Continued)

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CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police department	\$3,768,856	\$3,790,001	\$3,619,520	(\$170,481)
Emergency management	29,962	29,962	966,805	936,843
Fire department	710,389	737,301	713,946	(23,355)
Building inspection	112,993	112,993	112,681	(312)
Property abatement	14,833	58,108	9,595	(48,513)
Rental registration	57,036	57,036	54,427	(2,609)
	<u>\$4,694,069</u>	<u>\$4,785,401</u>	<u>\$5,476,974</u>	<u>\$691,573</u>
Streets and highways:				
Engineering	\$136,019	\$136,019	\$150,042	\$14,023
GIS	137,522	137,522	117,771	(19,751)
Supervision and general	39,637	39,637	38,974	(663)
Street maintenance	1,272,197	1,322,299	1,378,402	56,103
Ice and snow removal	645,252	645,252	510,277	(134,975)
Street lighting	226,761	226,761	177,961	(48,800)
Traffic signs and markings	87,517	103,517	81,836	(21,681)
Transit	50,054	50,054	50,070	16
Parking lots	56,713	83,943	8,480	(75,463)
	<u>\$2,651,672</u>	<u>\$2,745,004</u>	<u>\$2,513,813</u>	<u>(\$231,191)</u>
Sanitation:				
Animal and weed control	\$38,021	\$38,021	\$46,762	\$8,741
Airport:				
Airport and grounds	\$213,490	\$213,490	\$219,204	\$5,714
Culture and recreation:				
Recreation	\$792,243	\$796,243	\$647,428	(\$148,815)
Parks	728,417	732,359	663,507	(68,852)
Forestry and nursery	310,134	313,028	285,751	(27,277)
Senior citizens	175,245	175,245	115,325	(59,920)
	<u>\$2,006,039</u>	<u>\$2,016,875</u>	<u>\$1,712,011</u>	<u>(\$304,864)</u>
Community development:				
Community events	\$11,342	\$11,342	\$976	(\$10,366)
Community development department	140,267	141,017	116,165	(24,852)
Other	175,847	175,847	123,529	(52,318)
	<u>\$327,456</u>	<u>\$328,206</u>	<u>\$240,670</u>	<u>(\$87,536)</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Economic development:				
Greater Fergus Falls	\$50,000	\$50,000	\$50,053	\$53
Regional Treatment Center			12,742	12,742
Total economic development	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$62,795</u>	<u>\$12,795</u>
Debt service:				
Principal	\$55,486	\$14,486	\$14,486	
Interest	3,700	2,500	2,500	
Other			11,516	11,516
Total debt service	<u>\$59,186</u>	<u>\$16,986</u>	<u>\$28,502</u>	<u>\$11,516</u>
Capital outlay	<u>\$1,836,386</u>	<u>\$2,996,316</u>	<u>\$492,777</u>	<u>(\$2,503,539)</u>
Total expenditures	<u>\$14,126,173</u>	<u>\$15,569,483</u>	<u>\$12,928,808</u>	<u>(\$2,640,675)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$2,471,474)</u>	<u>(\$3,827,325)</u>	<u>(\$463,380)</u>	<u>\$3,363,945</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$1,590,449	\$1,590,449	\$1,590,449	
Transfers (out)	(8,975)	(51,277)	(51,277)	
General obligation bonds issued	490,000	490,000	400,000	(90,000)
Premium on general obligation bonds issued			49,903	49,903
Sale of capital assets			1,200	1,200
Total other financing sources and (uses)	<u>\$2,071,474</u>	<u>\$2,029,172</u>	<u>\$1,990,275</u>	<u>(\$38,897)</u>
Net change in fund balances	<u>(\$400,000)</u>	<u>(\$1,798,153)</u>	<u>\$1,526,895</u>	<u>\$3,325,048</u>
Fund balance - beginning			<u>8,658,685</u>	
Fund balance - ending			<u>\$10,185,580</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Library Special Revenue Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
General property tax	\$794,427	\$794,427	\$785,250	(\$9,177)
Mobile home tax	550	550	659	109
Total taxes	<u>\$794,977</u>	<u>\$794,977</u>	<u>\$785,909</u>	<u>(\$9,068)</u>
Intergovernmental	89,840	106,967	111,612	4,645
Charges for services	4,500	4,500	3,588	(912)
Fines and forfeits	11,000	11,000	3,322	(7,678)
Contributions		15,668	99,768	84,100
Investment earnings	6,000	6,000	45,148	39,148
Other	8,500	8,500	8,555	55
	<u>\$914,817</u>	<u>\$947,612</u>	<u>\$1,057,902</u>	<u>\$110,290</u>
EXPENDITURES				
Current:				
Culture and recreation	\$841,317	\$862,904	\$769,557	(\$93,347)
Capital outlay	87,000	178,437	86,701	(91,736)
	<u>\$928,317</u>	<u>\$1,041,341</u>	<u>\$856,258</u>	<u>(\$185,083)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$13,500)</u>	<u>(\$93,729)</u>	<u>\$201,644</u>	<u>\$295,373</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$6,000	\$6,000		(\$6,000)
Transfers (out)	(2,500)	(2,500)	(2,397)	103
	<u>\$3,500</u>	<u>\$3,500</u>	<u>(\$2,397)</u>	<u>(\$5,897)</u>
Net change in fund balances	<u>(\$10,000)</u>	<u>(\$90,229)</u>	\$199,247	<u>\$289,476</u>
Fund balance - beginning			<u>1,024,779</u>	
Fund balance - ending			<u>\$1,224,026</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Bigwood Event Center Special Revenue Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Charges for services	\$100,000	\$22,428	(\$77,572)
Investment earnings	3,000	10,272	7,272
Other		3,195	3,195
	<u>\$103,000</u>	<u>\$35,895</u>	<u>(\$67,105)</u>
EXPENDITURES			
Current:			
Culture and recreation	\$53,988	\$5,218	(\$48,770)
Capital outlay	50,000	759	(49,241)
	<u>\$103,988</u>	<u>\$5,977</u>	<u>(\$98,011)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$988)</u>	<u>\$29,918</u>	<u>\$30,906</u>
Net change in fund balances	<u>(\$988)</u>	<u>\$29,918</u>	<u>\$30,906</u>
Fund balance - beginning		<u>243,153</u>	
Fund balance - ending		<u>\$273,071</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Revolving Loan Special Revenue Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Intergovernmental	\$287,500	\$18,233	(\$269,267)
Charges for services	8,200	1,300	(6,900)
Investment earnings	30,200	84,122	53,922
Other interest income	70,000	52,733	(17,267)
	<u>395,900</u>	<u>156,388</u>	<u>(239,512)</u>
EXPENDITURES			
Current:			
Community development	\$39,066	\$28,668	(\$10,398)
Economic development	299,308	26,698	(272,610)
Debt service:			
Principal	35,575	35,575	
Interest	1,441	1,441	
	<u>375,390</u>	<u>92,382</u>	<u>(283,008)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$20,510</u>	<u>\$64,006</u>	<u>\$43,496</u>
Net change in fund balances	<u>\$20,510</u>	<u>\$64,006</u>	<u>\$43,496</u>
Fund balance - beginning		<u>4,882,180</u>	
Fund balance - ending		<u>\$4,946,186</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Tax Increment Districts Special Revenue Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
Tax increments	\$212,565	\$246,447	\$33,882
Investment earnings	1,225	2,322	1,097
Other		25,158	25,158
	<u>\$213,790</u>	<u>\$273,927</u>	<u>\$60,137</u>
EXPENDITURES			
Current:			
Economic development	\$213,790	\$254,524	\$40,734
Debt service:			
Interest		1,490	1,490
	<u>\$213,790</u>	<u>\$256,014</u>	<u>\$42,224</u>
Excess (deficiency) of revenues over (under) expenditures		<u>\$17,913</u>	<u>\$17,913</u>
Net change in fund balances	<u><u> </u></u>	<u>\$17,913</u>	<u>\$17,913</u>
Fund balance - beginning		<u>70,676</u>	
Fund balance - ending		<u><u>\$88,589</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Tax Abatement Special Revenue Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$35,000	\$34,782	(\$218)
Mobile home tax	12	25	13
Total taxes	<u>\$35,012</u>	<u>\$34,807</u>	<u>(\$205)</u>
Intergovernmental	4	6	2
Investment earnings	<u>100</u>	<u>6,496</u>	<u>6,396</u>
 Total revenues	 <u>\$35,116</u>	 <u>\$41,309</u>	 <u>\$6,193</u>
EXPENDITURES			
Current:			
Economic development	<u>\$33,000</u>	<u>\$23,124</u>	<u>(\$9,876)</u>
Total expenditures	<u>\$33,000</u>	<u>\$23,124</u>	<u>(\$9,876)</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>\$2,116</u>	 <u>\$18,185</u>	 <u>\$16,069</u>
 Net change in fund balances	 <u><u>\$2,116</u></u>	 <u><u>\$18,185</u></u>	 <u><u>\$16,069</u></u>
 Fund balance - beginning		 <u>133,078</u>	
 Fund balance - ending		 <u><u>\$151,263</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Port Authority 2019A Debt Service Fund
For the Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Investment earnings		\$3,634	\$3,634
Rent	146,746	152,656	5,910
	\$146,746	\$156,290	\$9,544
EXPENDITURES			
Debt service:			
Principal	\$60,000	\$60,000	
Interest	81,676	124,101	42,425
Other		495	495
	\$141,676	\$184,596	\$42,920
Excess (deficiency) of revenues over (under) expenditures	\$5,070	(\$28,306)	(\$33,376)
Net change in fund balances	\$5,070	(\$28,306)	(\$33,376)
Fund balance - beginning		69,473	
Fund balance - ending		\$41,167	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Permanent Improvement Revolving Debt Service Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings		(\$2,611)	(\$2,611)
Total revenues		(\$2,611)	(\$2,611)
EXPENDITURES			
Debt service:			
Principal	\$560,000	\$560,000	
Interest	82,455	81,837	(618)
Other	500	24,031	23,531
Total expenditures	\$642,955	\$665,868	\$22,913
Excess (deficiency) of revenues over (under) expenditures	(\$642,955)	(\$668,479)	(\$25,524)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$642,955	\$649,305	\$6,350
Transfers (out)		(261)	(261)
Refunding bonds issued		1,290,000	1,290,000
Premium on general obligation bonds issued		128,155	128,155
Payment of refunded bonds		(1,390,000)	(1,390,000)
Total other financing sources and (uses)	\$642,955	\$677,199	\$34,244
Net change in fund balances		\$8,720	\$8,720
Fund balance - beginning		1,368	
Fund balance - ending		\$10,088	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Capital Improvement 2010A Debt Service Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$68,800	\$67,989	(\$811)
Mobile home tax	55	59	4
Total taxes	<u>\$68,855</u>	<u>\$68,048</u>	<u>(\$807)</u>
Intergovernmental	17	11	(6)
Investment earnings	<u>187</u>	<u>(111)</u>	<u>(298)</u>
Total revenues	<u>\$69,059</u>	<u>\$67,948</u>	<u>(\$1,111)</u>
EXPENDITURES			
Debt service:			
Principal	\$50,000	\$50,000	
Interest	20,055	20,055	
Other	<u>495</u>	<u>8,568</u>	<u>8,073</u>
Total expenditures	<u>\$70,550</u>	<u>\$78,623</u>	<u>\$8,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$1,491)</u>	<u>(\$10,675)</u>	<u>(\$9,184)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued		\$460,000	\$460,000
Premium on general obligation bonds issued		55,801	55,801
Payment of refunded bonds		<u>(510,000)</u>	<u>(510,000)</u>
Total other financing sources and (uses)		<u>\$5,801</u>	<u>\$5,801</u>
Net change in fund balances	<u>(\$1,491)</u>	<u>(\$4,874)</u>	<u>(\$3,383)</u>
Fund balance - beginning		<u>8,201</u>	
Fund balance - ending		<u>\$3,327</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Capital Improvement 2012C Debt Service Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$368,000	\$363,675	(\$4,325)
Mobile home tax	280	313	33
Total taxes	<u>\$368,280</u>	<u>\$363,988</u>	<u>(\$4,292)</u>
Intergovernmental	85	59	(26)
Investment earnings	<u>1,172</u>	<u>(1,066)</u>	<u>(2,238)</u>
Total revenues	<u>\$369,537</u>	<u>\$362,981</u>	<u>(\$6,556)</u>
EXPENDITURES			
Debt service:			
Principal	\$275,000	\$275,000	
Interest	89,325	89,325	
Other		<u>65,101</u>	<u>65,101</u>
Total expenditures	<u>\$364,325</u>	<u>\$429,426</u>	<u>\$65,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$5,212</u>	<u>(\$66,445)</u>	<u>(\$71,657)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued		\$3,495,000	\$3,495,000
Premium on general obligation bonds issued		375,003	375,003
Payment of refunded bonds		<u>(3,805,000)</u>	<u>(3,805,000)</u>
Total other financing sources and (uses)		<u>\$65,003</u>	<u>\$65,003</u>
Net change in fund balances	<u>\$5,212</u>	<u>(\$1,442)</u>	<u>(\$6,654)</u>
Fund balance - beginning		<u>59,852</u>	
Fund balance - ending		<u>\$58,410</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Sales Tax Revenue 2017A Debt Service Fund
For the Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Local option sales tax	\$1,200,000	\$1,430,063	\$230,063
Investment earnings	6,156	28,980	22,824
Total revenues	\$1,206,156	\$1,459,043	\$252,887
EXPENDITURES			
Current:			
Culture and recreation	\$25,000	\$22,843	(\$2,157)
Debt service:			
Principal	1,090,000	1,090,000	
Interest	146,850	146,850	
Other		495	495
Total expenditures	\$1,261,850	\$1,260,188	(\$1,662)
Excess (deficiency) of revenues over (under) expenditures	(\$55,694)	\$198,855	\$254,549
OTHER FINANCING SOURCES (USES)			
Transfers in	\$190,000		(\$190,000)
Net change in fund balances	\$134,306	\$198,855	\$64,549
Fund balance - beginning		548,642	
Fund balance - ending		\$747,497	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Operations Capital Projects Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$231,400	\$232,710	\$1,310
Mobile home tax		190	190
Total taxes	<u>\$231,400</u>	<u>\$232,900</u>	<u>\$1,500</u>
Special assessments	241,132	361,151	120,019
Intergovernmental	2,025,000	1,161,281	(863,719)
Contributions	667,500		(667,500)
Investment earnings	12,557	(61,720)	(74,277)
Other interest income	86,652	72,071	(14,581)
Other		14,278	14,278
	<u>\$3,264,241</u>	<u>\$1,779,961</u>	<u>(\$1,484,280)</u>
EXPENDITURES			
Current:			
Streets and highways - other	\$12,174	\$372,346	\$360,172
Culture and recreation		8,500	8,500
Economic development - other		463,262	463,262
Capital outlay	<u>4,230,000</u>	<u>1,284,297</u>	<u>(2,945,703)</u>
	<u>\$4,242,174</u>	<u>\$2,128,405</u>	<u>(\$2,113,769)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$977,933)</u>	<u>(\$348,444)</u>	<u>\$629,489</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$76,564	\$169,365	\$92,801
Transfers (out)	(642,955)	(649,305)	(6,350)
General obligation bonds issued	<u>1,507,500</u>		<u>(1,507,500)</u>
	<u>\$941,109</u>	<u>(\$479,940)</u>	<u>(\$1,421,049)</u>
Net change in fund balances	<u>(\$36,824)</u>	<u>(\$828,384)</u>	<u>(\$791,560)</u>
Fund balance - beginning		<u>2,357,120</u>	
Fund balance - ending		<u>\$1,528,736</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Airport Capital Improvement Capital Projects Fund
For the Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$40,000	\$39,991	(\$9)
Mobile home tax		34	34
Total taxes	\$40,000	\$40,025	\$25
Intergovernmental	475,000	583,553	108,553
Investment earnings		2,670	2,670
Total revenues	\$515,000	\$626,248	\$111,248
EXPENDITURES			
Current:			
Airport	\$539	\$702	\$163
Capital outlay	500,000	606,188	106,188
Total expenditures	\$500,539	\$606,890	\$106,351
Excess (deficiency) of revenues over (under) expenditures	\$14,461	\$19,358	\$4,897
Net change in fund balances	\$14,461	\$19,358	\$4,897
Fund balance - beginning		209,468	
Fund balance - ending		\$228,826	

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Net Position
Internal Service Funds
December 31, 2020

	Equipment	Employee Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$295,937		\$295,937
Investments	2,000,000		2,000,000
Receivables:			
Interest	7,207		7,207
Other	4,671		4,671
Due from other funds	148,240		148,240
Inventories	237,217		237,217
Prepaid		166,732	166,732
Total current assets	\$2,693,272	\$166,732	\$2,860,004
Capital assets:			
Land	\$4,350		\$4,350
Buildings and systems	506,103		506,103
Machinery and equipment	9,553,357		9,553,357
Less accumulated depreciation	(7,343,152)		(7,343,152)
Total capital assets (net of accumulated depreciation)	\$2,720,658		\$2,720,658
Total assets	\$5,413,930	\$166,732	\$5,580,662
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$18,822		\$18,822
LIABILITIES			
Current liabilities:			
Accounts payable	\$29,282	\$1,689	\$30,971
Accrued salaries payable	21,378		21,378
Compensated absences	31,758		31,758
Intergovernmental payable	1,274		1,274
Due to other funds	10	147,714	147,724
Unearned revenue		3,037	3,037
Total current liabilities	\$83,702	\$152,440	\$236,142
Noncurrent liabilities:			
Compensated absences	\$4,908		\$4,908
Net pension liability	257,818		257,818
Total noncurrent liabilities	\$262,726		\$262,726
Total liabilities	\$346,428	\$152,440	\$498,868
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$16,447		\$16,447
NET POSITION			
Net investment in capital assets	\$2,720,658		\$2,720,658
Unrestricted	2,349,219	14,292	2,363,511
Total net position	\$5,069,877	\$14,292	\$5,084,169

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2020

	<u>Equipment</u>	<u>Employee Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Sales and charges for services	\$2,170,438	\$1,879,421	\$4,049,859
Total operating revenues	<u>\$2,170,438</u>	<u>\$1,879,421</u>	<u>\$4,049,859</u>
OPERATING EXPENSES			
Personal service	\$330,200		\$330,200
Employee benefits	75,278		75,278
Supplies	407,979		407,979
Utilities	44,519		44,519
Other	168,738	1,880,052	2,048,790
Depreciation	705,211		705,211
Total operating expenses	<u>\$1,731,925</u>	<u>\$1,880,052</u>	<u>\$3,611,977</u>
Operating income (loss)	<u>\$438,513</u>	<u>(\$631)</u>	<u>\$437,882</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$92,281		\$92,281
Other income	7,713		7,713
Gain on disposal of capital assets	39,995		39,995
Total nonoperating revenue (expenses)	<u>\$139,989</u>		<u>\$139,989</u>
Income before contributions and transfers	<u>\$578,502</u>	<u>(\$631)</u>	<u>\$577,871</u>
Capital contributions	109,243		109,243
Transfers in	8,975		8,975
Transfers (out)	(136,093)		(136,093)
Change in net position	<u>\$560,627</u>	<u>(\$631)</u>	<u>\$559,996</u>
Total net position - beginning	<u>4,509,250</u>	<u>14,923</u>	<u>4,524,173</u>
Total net position - ending	<u>\$5,069,877</u>	<u>\$14,292</u>	<u>\$5,084,169</u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2020

	Equipment	Employees Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments from interfund services provided	\$2,174,102	\$1,879,611	\$4,053,713
Payments to suppliers	(510,173)		(510,173)
Payments to employees	(395,742)		(395,742)
Payments for quasi-external transactions	(79,038)		(79,038)
Other operating income	7,713		7,713
Other operating expenses	(125,838)	(1,885,161)	(2,010,999)
	\$1,071,024	(\$5,550)	\$1,065,474
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	(\$127,118)		(\$127,118)
Amount loaned for cash deficit	(5,550)		(5,550)
Amount borrowed for cash deficit		5,550	5,550
Net cash provided (used) by noncapital financing activities	(\$132,668)	\$5,550	(\$127,118)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Sale of capital assets	\$39,995		\$39,995
Receipt of capital grant	18,571		18,571
Purchase of capital assets	(471,613)		(471,613)
Net cash provided (used) by capital and related financing activities	(\$413,047)		(\$413,047)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(\$953,211)		(\$953,211)
Interest and dividends received	44,523		44,523
Net cash provided (used) by investing activities	(\$908,688)		(\$908,688)
Net increase (decrease) in cash and cash equivalents	(\$383,379)		(\$383,379)
Cash and cash equivalents - January 1	679,316		679,316
Cash and cash equivalents - December 31	\$295,937		\$295,937
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$438,513	(\$631)	\$437,882
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$705,211		\$705,211
(Increase) decrease in miscellaneous receivable	6,201	1,089	7,290
(Increase) decrease in intergovernmental receivable	16,257		16,257
(Increase) decrease in due from other funds	3,664		3,664
(Increase) decrease in inventories	(21,546)		(21,546)
(Increase) decrease in prepaid items	132	(7,887)	(7,755)
(Increase) decrease in deferred outflows	6,911		6,911
Increase (decrease) in accounts payable	(35,639)	1,689	(33,950)
Increase (decrease) in accrued salaries payable	(16,622)		(16,622)
Increase (decrease) in compensated absences	5,680		5,680
Increase (decrease) in intergovernmental payable	46		46
Increase (decrease) in net pension liability	(4,394)		(4,394)
Increase (decrease) in due to other funds	(490)		(490)
Increase (decrease) in unearned revenues		190	190
Increase (decrease) in deferred inflows	(40,613)		(40,613)
Other income	7,713		7,713
Total adjustments	\$632,511	(\$4,919)	\$627,592
Net cash provided (used) by operating activities	\$1,071,024	(\$5,550)	\$1,065,474
Noncash investing, capital, and financing activities:			
Capital asset disposals	(\$335,943)		(\$335,943)
Change in fair value of investments	46,789		46,789
Capital contributions financed through other funds	90,672		90,672

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Custodial Funds			Total Custodial Funds
	Flexible Benefit	Business Development for Fergus Falls	Insurance Escrow	
ASSETS				
Cash and cash equivalents	\$15,919	\$400,551	\$4,395	\$420,865
Interest receivable		1,181		1,181
Total assets	<u>\$15,919</u>	<u>\$401,732</u>	<u>\$4,395</u>	<u>\$422,046</u>
LIABILITIES				
Accounts payable	\$2,795			\$2,795
Total liabilities	<u>\$2,795</u>			<u>\$2,795</u>
FIDUCIARY NET POSITION				
Restricted for:				
Flexible benefits held for participants	\$13,124			\$13,124
Other organizations		401,732		401,732
Resident insurance claims			4,395	4,395
Total fiduciary net position	<u>\$13,124</u>	<u>\$401,732</u>	<u>\$4,395</u>	<u>\$419,251</u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	<u>Custodial Funds</u>			<u>Total Custodial Funds</u>
	<u>Flexible Benefit</u>	<u>Business Development for Fergus Falls</u>	<u>Insurance Escrow</u>	
ADDITIONS				
Flexible benefit contributions	\$64,750			\$64,750
Contributions		15,500		15,500
Insurance escrow proceeds			4,395	4,395
Investment earnings		18,308		18,308
Total additions	\$64,750	\$33,808	\$4,395	\$102,953
DEDUCTIONS				
Economic development		\$30,750		\$30,750
Flexible benefit payments	64,659			64,659
Total deductions	\$64,659	\$30,750	\$0	\$95,409
Change in fiduciary net position	\$91	\$3,058	\$4,395	\$7,544
Fiduciary net position - beginning	\$13,033	\$398,674		\$411,707
Fiduciary net position - ending	<u>\$13,124</u>	<u>\$401,732</u>	<u>\$4,395</u>	<u>\$419,251</u>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Discretely Presented Component Unit
PEG Access
December 31, 2020

	Actual Amounts
ASSETS	
Cash and cash equivalents	\$218,623
Receivables:	
Other	23,118
Prepaid items	451
Total assets	\$242,192
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$690
Accrued salaries payable	2,653
Intergovernmental payable	81
Total liabilities	\$3,424
Fund balance:	
Unassigned	\$238,768
Total liabilities and fund balance	\$242,192
 Adjustment to reflect capital assets of component unit:	
Cost of Capital Assets	\$202,518
Less: Accumulated depreciation	(162,187)
Adjustment to reflect noncurrent liabilities related to component unit	(7,141)
Net position of governmental activities - component unit - PEG Access	\$271,958

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit
PEG Access
For the Year Ended December 31, 2020

	<u>Actual Amounts</u>
REVENUES	
Intergovernmental	\$110,937
Charges for services	1,024
Investment earnings	<u>8,418</u>
Total revenues	<u>\$120,379</u>
EXPENDITURES	
Current:	
General government	<u>\$73,400</u>
Total expenditures	<u>\$73,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$46,979</u>
Net change in fund balances	\$46,979
Fund balance - beginning	<u>191,789</u>
Fund balance - ending	<u><u>\$238,768</u></u>
Adjustments to reflect capital assets related to component unit:	
Depreciation expense	(20,436)
Adjustment to reflect the change in noncurrent liabilities related to component unit	
	<u>(522)</u>
Change in net position of governmental activities - component unit - PEG Access	<u><u>\$26,021</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Discretely Presented Component Unit
Fergus Falls Convention and Visitor's Bureau, Inc. (CVB)
December 31, 2020

	<u>Actual Amounts</u>
ASSETS	
Cash and cash equivalents	\$105,257
Receivables:	
Interest	310
Intergovernmental	17,253
Prepaid items	<u>263</u>
Total assets	<u><u>\$123,083</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$4,814
Accrued salaries payable	5,493
Intergovernmental payable	<u>98</u>
Total liabilities	<u>\$10,405</u>
Fund balance:	
Unassigned	<u>\$112,678</u>
Total liabilities and fund balance	<u><u>\$123,083</u></u>
Adjustment to reflect noncurrent liabilities related to component unit	<u>(5,340)</u>
Net position of governmental activities - component unit - CVB	<u><u>\$107,338</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit
Fergus Falls Convention and Visitor's Bureau, Inc. (CVB)
For the Year Ended December 31, 2020

	<u>Actual Amounts</u>
REVENUES	
Intergovernmental	\$163,218
Contributions	1,000
Investment earnings	<u>2,163</u>
Total revenues	<u>\$166,381</u>
EXPENDITURES	
Current:	
Community development	<u>\$127,886</u>
Total expenditures	<u>\$127,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$38,495</u>
Net change in fund balances	\$38,495
Fund balance - beginning	<u>74,183</u>
Fund balance - ending	<u><u>\$112,678</u></u>
Adjustment to reflect the change in noncurrent liabilities related to component unit	<u>(3,923)</u>
Change in net position of governmental activities - component unit - CVB	<u><u>\$34,572</u></u>

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STATISTICAL SECTION

This part of the City of Fergus Falls' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	159
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	164
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	168
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	173
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	175

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF FERGUS FALLS, MINNESOTA
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$49,248,559	\$55,502,396	\$58,413,079	\$60,951,220	\$63,063,727	\$64,989,143	\$66,137,420	\$67,856,219	\$60,231,474	\$61,241,331
Restricted	5,284,107	6,512,185	6,616,357	6,619,989	6,889,755	6,979,269	6,664,003	6,849,816	7,751,389	8,420,628
Unrestricted	14,302,304	15,005,550	14,795,039	14,357,890	10,232,263	8,458,300	7,730,557	7,267,442	8,669,770	10,741,169
Total governmental activities net position	\$68,834,970	\$77,020,131	\$79,824,475	\$81,929,099	\$80,185,745	\$80,426,712	\$80,531,980	\$81,973,477	\$76,652,633	\$80,403,128
Business-type activities:										
Net investment in capital assets	\$28,795,334	\$31,605,185	\$31,614,438	\$31,278,978	\$31,091,257	\$32,610,325	\$32,274,452	\$31,546,787	\$32,084,209	\$31,732,617
Restricted	3,181,795	3,164,679	3,118,928	1,823,297	1,823,665	1,828,312	1,782,760	1,967,361	2,074,052	2,261,802
Unrestricted	14,943,011	14,812,917	14,427,883	16,765,977	15,476,907	15,905,018	16,700,345	18,031,458	19,266,494	21,876,703
Total business-type activities net position	\$46,920,140	\$49,582,781	\$49,161,249	\$49,868,252	\$48,391,829	\$50,343,655	\$50,757,557	\$51,545,606	\$53,424,755	\$55,871,122
Primary government:										
Net investment in capital assets	\$78,043,893	\$87,107,581	\$90,027,517	\$92,230,198	\$94,154,984	\$97,599,468	\$98,411,872	\$99,403,006	\$92,315,683	\$92,973,948
Restricted	8,465,902	9,676,864	9,735,285	8,443,286	8,713,420	8,807,581	8,446,763	8,817,177	9,825,441	10,682,430
Unrestricted	29,245,315	29,818,467	29,222,922	31,123,867	25,709,170	24,363,318	24,430,902	25,298,900	27,936,264	32,617,872
Total primary government net position	\$115,755,110	\$126,602,912	\$128,985,724	\$131,797,351	\$128,577,574	\$130,770,367	\$131,289,537	\$133,519,083	\$130,077,388	\$136,274,250

CITY OF FERGUS FALLS, MINNESOTA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
EXPENSES:										
Governmental activities:										
General government	\$1,910,938	\$1,937,426	\$1,889,345	\$1,945,454	\$2,065,828	\$2,458,631	\$2,462,045	\$2,461,445	\$2,346,537	\$2,367,778
Public safety	3,306,904	3,444,642	3,427,710	3,570,174	3,882,416	5,146,674	4,654,752	4,381,379	4,732,107	5,390,190
Streets and highways	3,369,330	5,674,494	3,106,076	3,205,119	3,150,581	3,487,895	3,813,044	3,732,304	5,956,562	3,947,363
Sanitation	81,482	67,561	76,504	69,158	75,716	77,672	82,683	85,516	48,671	43,650
Airport	348,679	329,428	338,534	503,714	374,736	360,852	383,767	387,634	390,983	401,828
Culture and recreation	2,668,633	2,777,521	2,843,327	3,051,367	3,111,232	3,180,026	3,393,503	3,495,200	3,756,250	3,354,503
Community development	507,789	320,551	226,661	203,259	297,854	398,289	346,735	223,862	295,167	263,089
Economic development	876,649	1,144,324	1,173,394	680,921	826,405	1,403,907	950,161	2,164,545	2,779,698	1,219,034
Interest on long-term debt	593,044	586,467	484,984	436,492	425,252	254,802	224,228	339,920	336,125	470,878
Total governmental activities expenses	\$13,663,448	\$16,282,414	\$13,566,535	\$13,665,658	\$14,210,020	\$16,768,748	\$16,310,918	\$17,271,805	\$20,642,100	\$17,458,313
Business-type activities:										
Waste Management	\$2,068,690	\$2,236,592	\$2,415,188	\$2,338,344	\$2,203,484	\$2,560,498	\$2,639,303	\$2,752,991	\$3,055,260	\$3,141,171
Liquor Store	4,719,461	4,873,372	4,919,289	4,946,859	5,070,033	5,217,008	5,332,113	5,410,891	5,561,035	6,488,734
Sewage Disposal	2,117,254	2,004,641	2,075,806	2,074,351	2,081,176	2,123,459	2,132,753	1,830,671	1,895,252	1,883,245
Water Department	1,714,170	1,781,243	1,838,555	1,712,404	1,611,978	1,676,935	1,648,924	1,916,439	1,767,086	1,733,887
Storm Water	372,165	368,434	369,743	338,483	394,296	406,506	413,835	384,714	430,426	438,546
Total business-type activities expenses	\$10,991,740	\$11,264,282	\$11,618,581	\$11,410,441	\$11,360,967	\$11,984,406	\$12,166,928	\$12,295,706	\$12,709,059	\$13,685,583
Total primary government expenses	\$24,655,188	\$27,546,696	\$25,185,116	\$25,076,099	\$25,570,987	\$28,753,154	\$28,477,846	\$29,567,511	\$33,351,159	\$31,143,896
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government	\$724,029	\$768,169	\$778,335	\$174,449	\$265,012	\$350,305	\$234,152	\$196,565	\$217,604	\$205,981
Public safety	298,248	305,262	319,863	336,394	418,966	453,853	443,685	401,031	447,838	525,877
Streets and highways	44,274	38,586	46,245	39,540	38,908	36,142	40,190	43,943	56,030	43,576
Sanitation	3,115	6,155	250	1,025	1,269	2,779	4,535	1,797	6,046	6,652
Airport	33,854	31,182	33,968	33,241	27,023	25,262	29,866	33,298	30,974	29,258
Culture and recreation	474,895	577,931	591,280	609,416	614,258	642,284	646,634	656,091	639,777	496,431
Community development	30,834	10,449	8,500	8,500	8,500	8,500	8,500	18,500	8,500	8,500
Economic development	669,742	727,867	652,650	661,848	680,867	494,938	332,306	393,624	434,153	530,024
Operating grants and contributions	716,841	752,489	762,592	818,403	873,243	1,037,581	1,380,442	2,200,028	1,030,504	2,132,844
Capital grants and contributions	6,844,170	12,745,136	3,260,932	1,806,345	1,287,332	3,778,915	1,571,409	2,042,179	6,175,745	2,865,669
Total governmental activities program revenues	\$9,840,002	\$15,963,226	\$6,454,615	\$4,489,161	\$4,215,378	\$6,830,559	\$4,691,719	\$5,987,056	\$9,047,171	\$6,844,812

(Continued)

Table 2
(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-type activities:										
Charges for services:										
Waste Management	\$2,267,056	\$2,294,725	\$2,390,522	\$2,540,157	\$2,580,556	\$2,785,653	\$3,078,737	\$3,108,981	\$3,244,571	\$3,487,852
Liquor Store	5,248,577	5,522,706	5,563,223	5,571,765	5,688,653	5,807,612	5,932,434	6,171,342	6,321,527	7,575,587
Sewage Disposal	2,152,585	2,039,089	2,109,988	2,147,054	2,048,795	2,260,595	2,294,721	2,310,245	2,488,495	2,339,699
Water Department	1,606,340	1,801,668	1,833,430	1,958,061	2,116,840	2,228,269	2,272,512	2,302,974	2,419,541	2,577,360
Storm Water	363,018	388,966	407,090	438,633	478,279	496,032	539,298	549,744	590,062	641,082
Total business-type activities program revenues	\$11,637,576	\$12,047,154	\$12,304,253	\$12,655,670	\$12,913,123	\$13,578,161	\$14,117,702	\$14,443,286	\$15,064,196	\$16,621,580
Total primary government program revenues	\$21,477,578	\$28,010,380	\$18,758,868	\$17,144,831	\$17,128,501	\$20,408,720	\$18,809,421	\$20,430,342	\$24,111,367	\$23,466,392
NET (EXPENSE) REVENUE:										
Governmental activities	(\$3,823,446)	(\$319,188)	(\$7,111,920)	(\$9,176,497)	(\$9,994,642)	(\$9,938,189)	(\$11,619,199)	(\$11,284,749)	(\$11,594,929)	(\$10,613,501)
Business-type activities	645,836	782,872	685,672	1,245,229	1,552,156	1,593,755	1,950,774	2,147,580	2,355,137	2,935,997
Total primary government net (expense) revenue	(\$3,177,610)	\$463,684	(\$6,426,248)	(\$7,931,268)	(\$8,442,486)	(\$8,344,434)	(\$9,668,425)	(\$9,137,169)	(\$9,239,792)	(\$7,677,504)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental activities:										
Taxes:										
Property taxes	\$3,759,040	\$4,238,770	\$4,738,389	\$4,672,685	\$4,950,087	\$5,262,003	\$5,602,836	\$5,999,619	\$6,372,652	\$6,627,148
Local option sales tax		1,135,059	1,205,315	1,254,844	1,233,022	1,287,047		1,312,194	1,354,084	1,430,063
Lodging taxes	127,582	132,719	145,852	161,678	152,642	147,245	141,028	143,020	138,668	90,992
Tax increments	438,893	189,778	111,367	126,185	135,623	104,408	139,249	198,127	216,458	257,208
Unrestricted intergovernmental revenues	3,672,646	3,567,947	3,566,394	3,623,637	3,633,688	3,638,476	3,640,798	3,673,440	3,675,370	3,765,510
Unrestricted investment earnings	758,681	478,727	(74,564)	415,185	215,405	203,981	297,797	254,281	676,972	602,071
Gain on sale of capital assets						12,766	9,402	12,280	4,279	39,995
Special item					337,014	(322,476)			(7,641,790)	
Transfers	182,045	(1,238,651)	809,231	1,026,907	1,328,249	(154,294)	1,893,357	1,565,393	1,477,392	1,551,009
Total governmental activities	\$8,938,887	\$8,504,349	\$10,501,984	\$11,281,121	\$11,985,730	\$10,179,156	\$11,724,467	\$13,158,354	\$6,274,085	\$14,363,996
Business-type activities:										
Unrestricted investment earnings	\$1,304,182	\$641,118	(\$128,296)	\$488,681	\$225,582	\$203,777	\$356,485	\$336,035	\$1,001,404	\$1,061,379
Special item					(300,000)					
Transfers	(182,045)	1,238,651	(809,231)	(1,026,907)	(1,328,249)	154,294	(1,893,357)	(1,565,393)	(1,477,392)	(1,551,009)
Total business-type activities	\$1,122,137	\$1,879,769	(\$937,527)	(\$538,226)	(\$1,402,667)	\$358,071	(\$1,536,872)	(\$1,229,358)	(\$475,988)	(\$489,630)
Total primary government	\$10,061,024	\$10,384,118	\$9,564,457	\$10,742,895	\$10,583,063	\$10,537,227	\$10,187,595	\$11,928,996	\$5,798,097	\$13,874,366
CHANGE IN NET POSITION:										
Government activities	\$5,115,441	\$8,185,161	\$3,390,064	\$2,104,624	\$1,991,088	\$240,967	\$105,268	\$1,873,605	(\$5,320,844)	\$3,750,495
Business-type activities	1,767,973	2,662,641	(251,855)	707,003	149,489	1,951,826	413,902	918,222	1,879,149	2,446,367
Total primary government	\$6,883,414	\$10,847,802	\$3,138,209	\$2,811,627	\$2,140,577	\$2,192,793	\$519,170	\$2,791,827	(\$3,441,695)	\$6,196,862

CITY OF FERGUS FALLS, MINNESOTA
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable	\$324,479	\$235,898	\$435,429	\$440,267	\$491,482	\$175,646	\$150,706	\$163,928	\$177,927	\$202,355
Restricted	949,729	1,006,173	997,622	878,612	948,828	1,090,979	1,140,596	2,252,268	2,140,762	2,781,052
Assigned	1,417,341	1,498,517	1,419,235	1,333,450	1,393,510	1,193,283	1,104,038	972,496	1,080,260	1,171,134
Unassigned	3,820,537	3,985,651	3,824,758	3,823,862	4,246,697	4,624,482	4,700,345	4,783,684	5,259,736	6,031,039
Total General Fund	\$6,512,086	\$6,726,239	\$6,677,044	\$6,476,191	\$7,080,517	\$7,084,390	\$7,095,685	\$8,172,376	\$8,658,685	\$10,185,580
All Other Governmental Funds										
Nonspendable	\$27,763	\$29,470	\$28,075	\$28,075	\$28,075	\$14,301	\$14,301	\$14,301	\$14,989	\$14,301
Restricted	5,864,939	7,249,581	6,021,097	5,989,023	5,976,461	5,892,809	11,938,437	5,342,900	5,673,179	6,114,513
Committed	191,325	262,151	316,713	317,992	397,823	436,743	495,255	458,875	505,972	563,160
Assigned	4,730,032	6,406,242	6,261,647	5,877,145	5,178,442	4,659,401	4,843,250	4,851,756	4,970,512	5,279,310
Total All Other Governmental Funds	\$10,814,059	\$13,947,444	\$12,627,532	\$12,212,235	\$11,580,801	\$11,003,254	\$17,291,243	\$10,667,832	\$11,164,652	\$11,971,284

Note: The City implemented GASB Statement No. 54 in 2011, resulting in a change in fund balance classifications.

CITY OF FERGUS FALLS, MINNESOTA
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES:										
Taxes	\$4,329,685	\$5,691,615	\$6,216,341	\$6,212,720	\$6,464,130	\$6,770,654	\$5,846,387	\$7,623,925	\$8,112,312	\$8,384,683
Special assessments	840,246	812,268	676,623	572,685	472,552	460,754	630,675	411,971	584,418	361,151
Licenses and permits	140,290	108,086	117,531	133,989	195,553	172,476	196,625	127,783	200,112	182,754
Intergovernmental	8,739,003	16,058,301	6,059,183	5,379,180	4,892,534	7,464,860	5,081,759	6,138,292	9,812,734	8,248,877
Charges for services	1,189,293	1,296,420	1,317,056	826,534	874,392	996,899	979,992	1,024,319	977,258	933,269
Fines and forfeits	98,429	110,950	122,560	115,751	118,317	127,490	103,251	94,957	105,731	109,761
Contributions	1,924,458	697,900	706,562	516,543	338,356	419,622	1,046,432	766,662	164,667	153,346
Investment earnings	678,898	435,853	(74,822)	372,377	187,460	189,470	264,785	231,894	597,714	509,790
Other interest income	329,912	333,554	250,897	236,151	217,811	188,338	185,717	194,109	193,109	124,804
Rent	624,387	611,944	606,695	611,144	634,274	388,329	289,731	312,443	357,222	445,243
Other	110,979	202,499	207,002	195,736	149,069	251,661	131,769	397,268	144,304	127,950
Total revenues	\$19,005,580	\$26,359,390	\$16,205,628	\$15,172,810	\$14,544,448	\$17,430,553	\$14,757,123	\$17,323,623	\$21,249,581	\$19,581,628
EXPENDITURES:										
Current:										
General government	\$1,633,197	\$1,663,605	\$1,649,562	\$1,718,270	\$1,818,839	\$2,075,846	\$2,113,925	\$2,126,948	\$2,076,492	\$2,135,300
Public safety	3,174,239	3,353,912	3,280,824	3,454,271	3,555,536	3,800,798	4,099,153	4,277,152	4,465,508	5,476,974
Streets and highways	2,131,855	1,996,660	1,891,081	2,008,043	1,887,913	2,211,386	2,582,236	2,379,285	4,608,073	2,886,159
Sanitation	80,701	68,003	76,383	70,667	77,809	77,525	81,274	84,083	48,901	46,762
Airport	195,160	189,082	186,158	187,842	205,451	194,026	208,939	205,063	209,516	219,906
Culture and recreation	2,077,234	2,320,510	2,270,446	2,421,199	2,469,304	2,572,279	2,666,858	2,864,657	2,988,008	2,518,129
Community development	507,789	320,551	226,661	203,259	297,833	399,052	346,735	223,765	301,302	269,338
Economic development	374,247	476,761	528,922	570,156	601,899	1,387,474	882,133	2,005,862	2,639,380	1,084,010
Debt service:										
Principal	2,260,135	3,703,533	3,337,074	3,303,801	4,958,651	2,836,451	1,243,895	1,894,780	2,994,216	2,085,061
Interest	516,844	458,370	564,330	458,395	389,737	283,626	232,704	400,160	363,656	467,599
Other	76,970	122,399	990	4,585	61,408	4,090	1,415	7,250	1,485	110,206
Capital Outlay	12,593,027	16,873,500	4,561,146	2,692,000	1,684,350	3,952,613	3,488,853	8,063,490	4,853,504	2,470,722
Total expenditures	\$25,621,398	\$31,546,886	\$18,573,577	\$17,092,488	\$18,008,730	\$19,795,166	\$17,948,120	\$24,532,495	\$25,550,041	\$19,770,166
Excess (deficit) of revenues over (under) expenditures	<u>(\$6,615,818)</u>	<u>(\$5,187,496)</u>	<u>(\$2,367,949)</u>	<u>(\$1,919,678)</u>	<u>(\$3,464,282)</u>	<u>(\$2,364,613)</u>	<u>(\$3,190,997)</u>	<u>(\$7,208,872)</u>	<u>(\$4,300,460)</u>	<u>(\$188,538)</u>
OTHER FINANCING SOURCES (USES):										
Transfers in	\$4,776,961	\$4,391,631	\$4,810,295	\$5,124,349	\$4,710,866	\$4,471,986	\$4,415,608	\$3,477,355	\$2,599,916	\$2,409,119
Transfers out	(3,941,482)	(3,594,705)	(3,822,811)	(3,822,709)	(3,186,175)	(2,803,706)	(2,351,789)	(1,892,396)	(1,037,352)	(703,240)
Insurance recoveries					45,747	108,323				
Installment purchase contract	144,016	375,000				336,812		76,591		
General obligation bonds issued	6,580,000	7,745,000			1,830,000		7,055,000		3,580,000	666,124
Refunding bonds issued										5,245,000
Premium on general obligation bonds issued		169,933			28,426		357,996		141,025	608,862
Payment of refunded bonds		(565,000)								(5,705,000)
Sale of capital assets	16,631	13,175	11,358	1,888	8,310		13,466			1,200
Total other financing sources (uses)	\$7,576,126	\$8,535,034	\$998,842	\$1,303,528	\$3,437,174	\$2,113,415	\$9,490,281	\$1,661,550	\$5,283,589	\$2,522,065
Special item - golf course loan						(322,476)				
Net change in fund balances	\$960,308	\$3,347,538	(\$1,369,107)	(\$616,150)	(\$27,108)	(\$573,674)	\$6,299,284	(\$5,547,322)	\$983,129	\$2,333,527
Debt service as a percentage of noncapital expenditures	19.50%	20.63%	25.96%	25.16%	31.93%	17.73%	10.08%	13.76%	16.11%	14.78%

Table 5

CITY OF FERGUS FALLS, MINNESOTA
Tax Capacity and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Industrial Property	Other Property	Less: Powerline	Less: Tax Increment Property	Net Taxable Tax Capacity	Taxable Market Value	Direct City Tax Rate	Taxable Tax Capacity as a Percentage of Taxable Market Value
2011	\$5,832,363	\$3,443,681	\$1,021,666		\$404,971	\$9,892,739	\$809,845,450	41.93%	1.22%
2012	4,920,256	3,423,143	1,044,593		159,891	9,228,101	718,301,400	46.32%	1.28%
2013	4,925,841	3,386,972	1,075,197		98,742	9,289,268	717,581,400	51.19%	1.29%
2014	4,937,421	3,476,063	1,208,267		115,568	9,506,183	729,879,400	49.86%	1.30%
2015	4,939,965	3,311,358	1,276,113	595	114,954	9,411,887	725,690,100	52.96%	1.30%
2016	5,114,076	3,400,461	1,233,543	1,478	89,236	9,657,366	744,579,100	54.83%	1.30%
2017	5,455,437	3,416,866	1,331,135	1,592	117,849	10,083,997	783,410,400	55.55%	1.29%
2018	5,782,815	3,494,625	1,340,012	1,631	135,181	10,480,640	819,457,600	57.82%	1.28%
2019	6,205,615	3,528,159	1,432,921	1,527	178,023	10,987,145	870,256,200	58.60%	1.26%
2020	6,516,903	3,593,880	1,406,024	1,495	210,573	11,304,739	902,160,900	58.25%	1.25%

Source: Otter Tail County

Table 6

CITY OF FERGUS FALLS, MINNESOTA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate			ISD #544	Otter Tail County	HRA	Port Authority
	Operating Rate	Debt Service Rate	Total Direct Rate				
2011	37.16	4.77	41.93	25.93	36.29	1.53	-
2012	41.24	5.08	46.32	27.04	38.37	1.46	-
2013	42.01	9.18	51.19	25.40	40.84	1.45	-
2014	41.36	8.50	49.86	19.83	41.13	1.44	-
2015	44.72	8.24	52.96	22.85	40.72	1.63	-
2016	48.48	6.35	54.83	22.71	41.33	1.62	-
2017	49.51	6.04	55.55	22.62	41.07	1.61	-
2018	52.00	5.82	57.82	22.33	41.50	1.61	-
2019	53.21	5.39	58.60	22.62	40.79	1.62	-
2020	52.60	5.65	58.25	22.36	41.13	1.63	0.66

Source: Otter Tail County

Note: Tax rates are based on taxable tax capacity

Table 7

CITY OF FERGUS FALLS, MINNESOTA
Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2020		2011			
		2019/2020 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	2010/2011 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
Otter Tail Power Company	Public Utility	\$1,140,020	1	9.90%	\$968,401	1	9.40%
Lake Region Healthcare Corp.	Healthcare	192,526	2	1.67%	86,030	6	0.84%
MFF Mortgage Borrowers 15 LLC	Retail Discount Store	130,840	3	1.14%			
Great Plains Natural Gas Co.	Public Utility	121,234	4	1.05%			
Walmart Real Estate Bus Tst	Retail Discount Store	111,940	5	0.97%	86,144	5	0.84%
LRH Medical Properties LLC	Healthcare	99,404	6	0.86%	81,120	7	0.79%
Sterling Offc & Ind Prop LLLP	Industrial	92,610	7	0.80%			
Home Depot USA Inc.	Retail Discount Store	83,778	8	0.73%	109,752	3	1.07%
Aura Capital LLC	Commercial	68,802	9	0.60%			
Otter Tail Valley Railroad Co.	Railroad Land and Buildings	68,202	10	0.59%			
Mills Properties Inc.	Retail Discount Store				172,004	2	1.67%
Western MN Industries Inc.	Industrial				89,343	4	0.87%
Dayton Hudson Corp.	Retail Discount Store				72,096	9	0.70%
Westridge Mall LTD Partnership	Shopping Mall				77,700	8	0.75%
Erickson Diversified Corp.	Commercial - Grocery Store				65,170	10	0.63%
		<u>\$2,109,356</u>		<u>18.32%</u>	<u>\$1,807,760</u>		<u>17.55%</u>

Source: Otter Tail County

Table 8

CITY OF FERGUS FALLS, MINNESOTA
Property Tax Levies and Collections
Last Ten Fiscal Years

Year Collected	Tax Levy	Collected within the Year of the Levy					Tax Collection to Date		
		Current Year Additions/ Abatements	Subsequent Year Additions/ Abatements	Adjusted Levy	Current Year Collections	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2011	\$3,749,264	\$9,057	(\$16,469)	\$3,741,852	\$3,704,431	98.57%	\$37,189	\$3,741,621	99.99%
2012	4,220,429	11,762	(20,492)	4,211,699	4,173,096	98.60%	38,446	4,211,543	100.00%
2013	4,701,492	22,917	(2,758)	4,721,651	4,675,380	98.96%	45,346	4,720,727	99.98%
2014	4,701,304	(16,762)	(663)	4,683,879	4,638,652	99.02%	43,857	4,682,509	99.97%
2015	4,932,384	(88)	7,799	4,940,095	4,868,368	98.70%	48,065	4,916,433	99.68%
2016	5,238,001	8,582	(7,287)	5,239,296	5,175,821	98.65%	40,614	5,216,435	99.59%
2017	5,601,173	(8,489)	9,558	5,602,243	5,524,886	98.79%	54,357	5,579,243	99.61%
2018	5,977,955	(1,334)	7,723	5,984,344	5,894,936	98.63%	81,340	5,976,275	99.97%
2019	6,366,530	(3,343)	2,000	6,365,187	6,310,088	99.17%	41,744	6,351,832	99.77%
2020	6,529,647	1,326	0	6,530,973	6,461,723	98.94%	0	6,461,723	98.96%

Note: The above data includes abatements and additions, but does not include tax increment districts.

Source: Otter Tail County

CITY OF FERGUS FALLS, MINNESOTA
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	G.O. Tax Increment Bonds	G.O. Revenue Bonds	G.O. Improvement Bonds	G.O. Port Authority Bonds	G.O. Certificates of Indebtedness	Notes and Contracts Payable	G.O. Revenue Bonds	Revenue Bonds	Notes and Contracts Payable				
2011	\$8,570,000	\$185,000		\$9,385,057		\$73,000	\$541,108	\$4,552,395	\$740,000	\$158,476	\$24,205,036	7.98%	\$1,847	
2012	6,760,000			15,119,124		56,000	819,575	5,966,197	630,000	132,003	29,482,899	9.45%	2,250	
2013	4,990,000			13,698,258		38,000	670,501	5,593,719	515,000	104,531	25,610,009	8.29%	1,936	
2014	3,260,000			12,237,392		19,000	555,700	5,216,239	395,000	76,021	21,759,352	7.03%	1,637	
2015	1,600,000			10,899,952			451,044	3,161,939	270,000	46,436	16,429,371	4.97%	1,237	
2016				9,805,027			621,405	2,840,853	140,000	15,733	13,423,018	3.74%	992	
2017			7,412,996	8,832,966			332,510	2,629,768			19,208,240	4.81%	1,383	
2018			6,533,330	7,908,946			244,321	3,610,348			18,296,945	4.66%	1,330	
2019			4,463,664	7,872,310	2,813,644		190,105	5,727,119			21,066,842	5.30%	1,530	
2020			3,313,998	7,066,631	3,018,147	449,903	140,044	5,469,848			19,458,571	4.76%	1,414	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Demographic and Economic Statistics on Table 14 for personal income data.
(2) See the Schedule of Demographic and Economic Statistics on Table 14 for population data.

CITY OF FERGUS FALLS, MINNESOTA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-type Activities	Less: Net Postion Restricted for Debt Service	Total	Percentage of Taxable Market Value of Property	Per Capita (1)
	General Obligation Bonds	G.O. Tax Increment Bonds	G.O. Revenue Bonds	G.O. Improvement Bonds	G.O. Port Authority Bonds	G.O. Certificates of Indebtedness	G.O. Revenue Bonds				
2011	\$8,570,000	\$185,000		\$9,385,057		\$73,000	\$4,552,395	\$1,004,696	\$21,760,756	2.69%	\$1,661
2012	6,760,000			15,119,124		56,000	5,966,197	196,453	27,704,868	3.86%	2,114
2013	4,990,000			13,698,258		38,000	5,593,719	257,272	24,062,705	3.35%	1,819
2014	3,260,000			12,237,392		19,000	5,216,239	256,488	20,476,143	2.81%	1,540
2015	1,600,000			10,899,952			3,161,939	247,236	15,414,655	2.12%	1,161
2016				9,805,027			2,840,853	197,757	12,448,123	1.67%	920
2017			7,412,996	8,832,966			2,629,768	39,934	18,835,796	2.40%	1,356
2018			6,533,330	7,908,946			3,610,348	407,696	17,644,928	2.15%	1,283
2019			4,463,664	7,872,310	2,813,644		5,727,119	610,683	20,266,054	2.33%	1,472
2020			3,313,998	7,066,631	3,018,147	449,903	5,469,848	809,638	18,508,889	2.05%	1,345

(1) See Schedule of Demographic and Economic Statistics on Table 14 for population data.

CITY OF FERGUS FALLS, MINNESOTA
Direct and Overlapping Governmental Activities Debt
December 31, 2020

	Debt Outstanding	Percentage Applicable to City of Fergus Falls (1)	Amount Applicable to City of Fergus Falls
City of Fergus Falls direct debt	\$17,846,124	100.00%	\$17,846,124
ISD #544	16,575,000	51.43%	8,524,523
Otter Tail County	66,190,000	11.11%	7,353,709
Subtotal, overlapping debt	<u>\$82,765,000</u>		<u>\$15,878,232</u>
Total Direct and Overlapping Debt	<u>\$100,611,124</u>		<u>\$33,724,356</u>

Source: Debt outstanding data and percentage applicable to the City provided by Otter Tail County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fergus Falls. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable to the City of Fergus Falls is estimated using net tax capacity values. Applicable percentages were established by determining the portion of the City's net tax capacity value that is within the County's boundaries and dividing it by the County's total net tax capacity value.

CITY OF FERGUS FALLS, MINNESOTA
Legal Debt Margin Information
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit 3% of taxable market value	\$24,295,364	\$21,549,042	\$21,527,442	\$21,896,382	\$21,770,703	\$22,337,373	\$23,502,312	\$24,583,728	\$26,107,686	\$27,064,827
Total net debt applicable to limit	979,882	6,746,565	6,462,057	6,227,001	5,901,059	5,595,174	5,285,482	4,972,904	4,640,633	4,836,856
Legal debt margin	<u>\$23,315,482</u>	<u>\$14,802,477</u>	<u>\$15,065,385</u>	<u>\$15,669,381</u>	<u>\$15,869,644</u>	<u>\$16,742,199</u>	<u>\$18,216,830</u>	<u>\$19,610,824</u>	<u>\$21,467,053</u>	<u>\$22,227,971</u>
Total net debt applicable to the limit as a percentage of debt limit	4.03%	31.31%	30.02%	28.44%	27.11%	25.05%	22.49%	20.23%	17.77%	17.87%

Legal Debt Margin Calculation for Fiscal Year 2020

Taxable market value	\$902,160,900
Debt limit (3% of total assessed value)	27,064,827
Debt applicable to limit:	
General obligation debt	4,898,593
Less: Amount set aside for repayment of general obligation debt	(61,737)
Total net debt applicable to limit	<u>\$4,836,856</u>
Legal debt margin	<u>\$22,227,971</u>

CITY OF FERGUS FALLS, MINNESOTA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Liquor Store Bonds						
Fiscal Year	Operating Revenues and Gross Profit	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$1,422,810	\$852,925	\$569,885	\$100,000	\$46,340	3.89
2012	1,566,406	877,907	688,499	110,000	41,299	4.55
2013	1,606,415	934,300	672,115	115,000	32,550	4.56
2014	1,590,319	943,274	647,045	120,000	26,607	4.41
2015	1,644,143	1,009,272	634,871	125,000	20,390	4.37
2016	1,643,021	1,049,392	593,629	130,000	13,744	4.13
2017	1,725,420	1,129,070	596,350	140,000	6,810	4.06
2018	1,835,469	1,083,370	752,099			
2019	1,883,770	1,138,843	744,927			
2020	2,299,016	1,218,297	1,080,719			

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF FERGUS FALLS, MINNESOTA
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate (4)</u>	<u>Per Capita Income (5)</u>	<u>Total Employment (6)</u>
2011	13,103	\$311,969,327	2,302 (2)	6.40%	\$23,809	10,056
2012	13,103	306,177,801	2,265 (2)	5.70%	23,367	10,118
2013	13,228	325,765,956	2,687 (3)	5.30%	24,627	10,036
2014	13,295	331,125,270	2,724 (3)	4.90%	24,906	10,106
2015	13,280	352,451,200	2,826 (3)	3.50%	26,540	10,107
2016	13,528	374,238,592	3,000 (3)	4.00%	27,664	10,104
2017	13,892	396,602,708	3,195 (3)	3.70%	28,549	10,037
2018	13,754	392,662,946	3,750 (3)	3.10%	28,549	10,009
2019	13,766	397,837,400	3,421 (3)	3.50%	28,900	9,980
2020	13,766	408,616,178	3,200 (3)	4.40%	29,683	9,334

(1) State Demographer

(2) Annual school census, ISD #544

(3) Annual school census, ISD #544 including iQ Academy

(4) Minnesota Department of Employment and Economic Development - Local Area Unemployment Statistics (LAUS)

(5) U.S. Census

(6) Minnesota Department of Employment and Economic Development - Quarterly Census of Employment and Wages (QCEW)

CITY OF FERGUS FALLS, MINNESOTA
Principal Employers
Current Year and Nine Years Ago

Employer	Type of Business	2020			2011		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake Region Healthcare Corporation	Hospital	837	1	8.97%	843	1	8.32%
ISD #544	Education	406	2	4.35%	297	5	2.93%
Otter Tail County	Government	390	3	4.18%	352	4	3.47%
Otter Tail Power Company	Public Utility	363	4	3.89%	385	2	3.80%
LB Homes	(1) Nursing Home	285	5	3.05%	200	6	1.97%
Pioneer Home	Nursing Home	262	6	2.81%	353	3	3.48%
Veterans Home	Nursing Home	196	7	2.10%	180	8	1.78%
City of Fergus Falls	(2) Municipality	193	8	2.07%	138	10	1.36%
Northern Contours	Manufacturing	166	9	1.78%	182	7	1.80%
Productive Alternatives	Vocational Rehab. Service	133	10	1.42%			
MN State Community & Technical College	College				151	9	1.49%
Total Employment		<u>3,231</u>		<u>34.62%</u>	<u>3,081</u>		<u>30.39%</u>

(1) LB Homes includes Skilled Nursing Facility, Assisted Living, Independent Living, Hospice and Homecare Services.

a) Prior to 2012 LB Homes was Lutheran Brethren Home.

(2) The City of Fergus Falls increased their employee count in 2012 because fire fighters were added as City employees.

Source: City of Fergus Falls Community Development data

CITY OF FERGUS FALLS, MINNESOTA
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Administration	3	2	2	2	2	2	2	2	2	2
Finance	7	7	7	7	7	7	7	7	7	7
Data processing	2	2	2	2	2	2	2	2	2	2
Human resources	2	2	2	2	2	2	2	2	2	2
Planning and zoning	1	1	1	1	1	1	1	1	1	0
General government buildings	2	2	2	2	2	2	2	2	2	2
Economic development					1	1	2	1	1	1
Other	10	10	11	11	11	11	11	11	12	11
Public Safety:										
Police:										
Licensed	22	23	23	23	23	23	23	24	24	23
Other	5	5	5	5	6	6	6	6	6	6
Fire:										
Chief/Inspector/Training & Safety	3	3	3	3	3	3	3	3	3	3
Building/Zoning Administrator	2	1	1	2	3	3	3	3	3	2
Public Works:										
Engineering/GIS	5	5	5	6	6	5	6	6	6	6
Street	10	10	10	11	11	11	11	11	11	11
Shop	5	5	5	5	5	5	5	5	5	4
Park and Recreation	9	10	10	10	10	10	11	11	11	10
Subtotal	88	88	89	92	95	94	97	97	98	92
Waste Management	10	10	10	9	9	9	9	9	9	9
Liquor Store	12	11	11	10	10	11	12	13	12	13
Sewage Disposal	6	6	6	6	6	6	6	6	6	6
Water Department	7	7	7	7	7	7	7	7	7	6
Subtotal	35	34	34	32	32	33	34	35	34	34
Total	123	122	123	124	127	127	131	132	132	126

Source: Departments of the City

Table 17

CITY OF FERGUS FALLS, MINNESOTA
Operating Indicators by Function/Program
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government:										
Planning:										
Number of case files	16	21	25	26	34	33	24	21	23	24
Number of plats filed	0	1	1	2	5	3	0	7	5	3
Public Safety:										
Police:										
Physical arrests	629	574	726	789	787	715	751	1,318	757	1,300
Citations	1,119	981	1,331	1,237	1,248	1,291	1,342	441	420	457
Calls for service	11,373	11,687	11,881	12,760	12,977	13,455	17,096	12,275	12,863	11,305
Fire:										
Calls for service	265	236	234	211	198	190	223	232	341	291
Building Official:										
Building permits issued	247	258	273	280	302	301	305	291	295	345
Single family homes permitted	12	6	9	4	14	14	7	8	16	35
Public Works:										
Street:										
Miles of roadway	116.06	116.06	116.06	116.05	115.82	118.64	118.64	118.71	118.71	119.89
Library:										
Physical volumes in collection	80,484	71,860	65,567	65,381	63,784	64,939	60,459	65,223	66,537	67,182
Total physical volumes borrowed	222,790	222,329	225,992	224,699	222,327	224,999	215,731	205,236	220,718	151,135
Digital volumes in collection	NA	3,071	4,285	4,640	6,326	6,845	5,569	7,796	7,230	10,226
Total digital volumes borrowed	NA	6,096	8,396	9,836	13,695	13,792	14,951	19,166	21,307	25,815
Park and Recreation:										
Program participants	3,203	4,583	5,380	5,472	6,472	8,056	7,345	9,920	6,826	450
Public Utilities:										
Waste Management:										
Number of accounts	4,580	4,580	4,586	4,591	4,634	4,704	4,714	4,754	4,779	4,826
Sewage Disposal:										
Number of accounts	4,712	4,728	4,713	4,733	4,761	4,747	4,768	4,773	4,799	4,860
Millions of gallons processed	802.27	668.00	686.20	669.78	585.60	605.08	643.84	593.16	652.62	625.64
Water:										
Number of accounts	4,797	4,824	4,801	4,819	4,851	4,837	4,858	4,865	4,889	4,949
Millions of gallons pumped	421.87	485.56	453.34	427.11	434.91	423.95	407.40	403.66	367.92	358.38
Peak demand (MGD)	1.79	2.68	2.35	2.02	3.33	2.06	1.90	1.34	2.04	1.86
Storm Water:										
Number of accounts	4,727	4,744	4,729	4,751	4,779	4,858	4,877	4,902	4,928	4,986

NA: Information not available
Source: Departments of the City

Table 18

CITY OF FERGUS FALLS, MINNESOTA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Stations	2	2	1	1	1	1	1	1	1	1
Vehicles	17	17	18	17	17	17	18	19	19	19
Fire Stations	1	1	1	1	1	1	1	1	1	1
Street:										
Miles of roadway	116.06	116.06	116.06	116.05	115.82	118.64	118.64	118.71	118.71	119.89
Traffic signals	11	11	13	13	13	13	13	13	13	13
Park & Recreation:										
Acres	347	347	351	351	351	445	445	455	466	551
Parks	22	22	23	23	23	25	25	25	27	27
Ball fields	12	12	12	12	12	12	12	12	12	13
Soccer fields	4	4	4	4	4	4	4	4	4	4
Playgrounds	10	10	10	10	10	10	10	11	11	11
Liquor Stores	2	2	2	2	2	2	2	2	2	2
Water:										
Miles of water mains	NA	NA	NA	103.95	103.95	104.42	104.42	106.06	106.84	107.44
Fire hydrants	690	701	701	703	703	703	704	704	743	755
Storage capacity (millions of gallons)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Waste Management:										
Collection trucks	6	6	8	8	8	8	9	9	8	8
Sewage Disposal:										
Miles of sewer mains	90.81	92.46	92.58	92.58	92.66	92.66	92.66	92.72	93.02	93.61
Treatment capacity (millions of gallons)	2.81	2.81	2.81	2.81	2.81	2.81	2.81	2.81	2.81	2.81

NA: Information not available

Source: Departments of the City

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**City of Fergus Falls
Otter Tail County, Minnesota**

Communications Letter

December 31, 2020

**City of Fergus Falls
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Report on Matters Identified as a Result of the Audit of the Financial Statements

Honorable Mayor, Members
of the City Council and Management
City of Fergus Falls
Fergus Falls, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

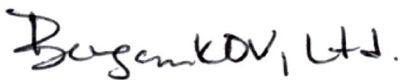
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is stated within this letter.

The City's written response to the significant deficiency identified in our audit has not been subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated May 24, 2021, on such statements.

This communication is intended solely for the information and use of management, the Members of the City Council, others within the City, and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation for the cooperation extended to us by management and employees of the City during our audit.



St. Cloud, Minnesota
May 24, 2021

City of Fergus Falls Significant Deficiency

Lack of Segregation of Accounting Duties

The City and its discretely presented component units had a lack of segregation of accounting duties due to a limited number of office employees. Although this meets the definition of a significant deficiency, it may not be practical to correct since the costs of hiring a sufficient number of employees to eliminate the significant deficiency may exceed benefits that could be derived. However, management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Director has the ability to post entries to the general ledger.
- The Payroll Officer completes some department heads' timecards, enters payroll information, calculates payroll, enters the information into the payroll system, prints payroll checks, and submits direct deposits.

City's Response

The City has determined the costs of hiring additional staff for the purpose of further segregation of accounting duties exceeds the estimated benefits which could be realized. City staff will continue to monitor internal controls and implement necessary changes.

City of Fergus Falls Required Communication

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our responsibility with respect to the other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited and we do not express an opinion or provide any assurance on it.

City of Fergus Falls Required Communication

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our Responsibility in Relation to Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the City's compliance with those requirements.

In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

City of Fergus Falls Required Communication

Qualitative Aspects of Significant Accounting Practices (Continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements are:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Landfill Closure and Post Closure Care Costs – The City is required to accrue a liability for costs of closing landfills and maintaining these sites after final closing. This liability is an estimate of the costs that will be required.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the City for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Relating to Pensions and Deferred Inflows of Resources relating to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements taken as a whole and each applicable opinion unit. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

City of Fergus Falls Required Communication

Uncorrected and Corrected Misstatements

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information accompanying the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

City of Fergus Falls Financial Analysis

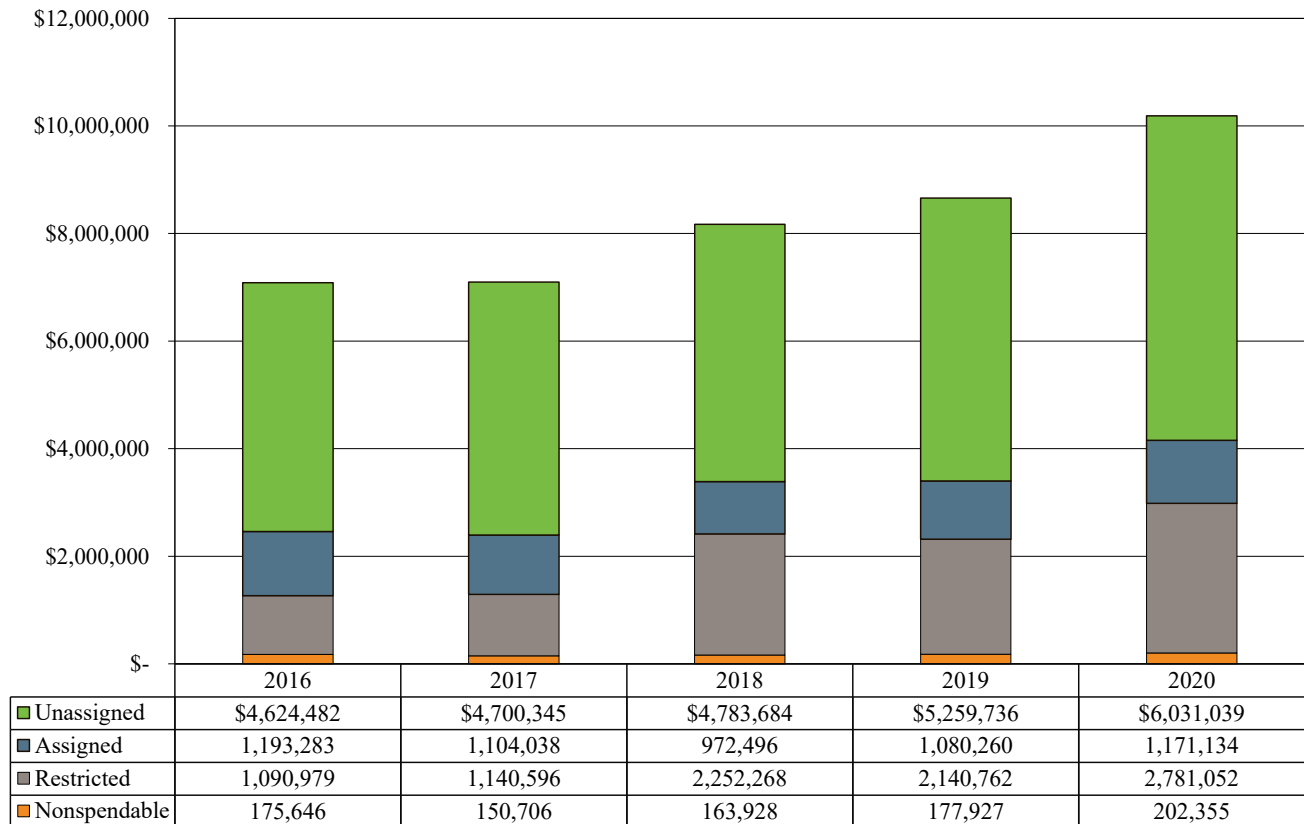
The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

General Fund Balance

At December 31, 2020, the General Fund balance increased \$1,526,895 to \$10,185,580 from the 2019 ending General Fund balance of \$8,658,685.

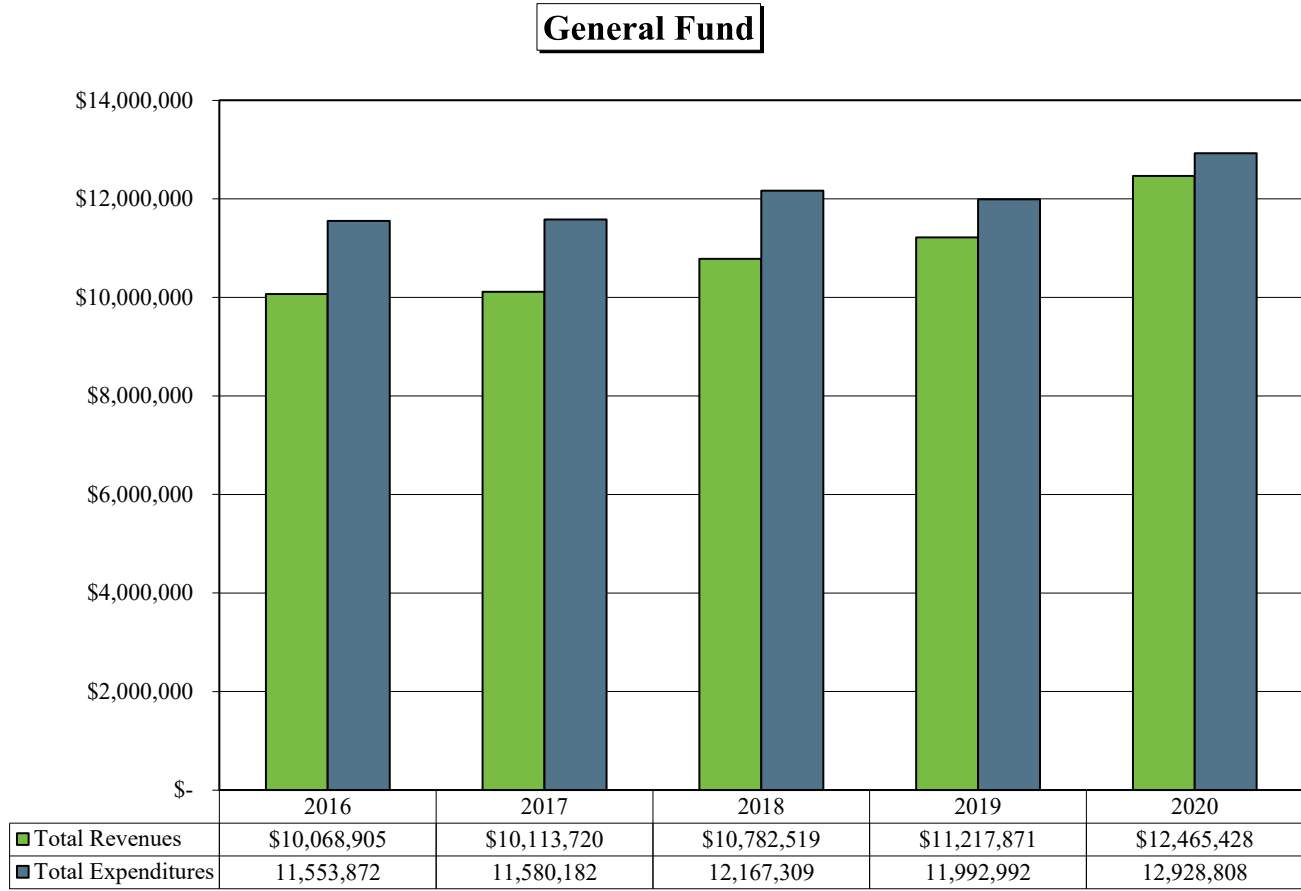
The City's policy is to maintain an unassigned fund balance in the General Fund in the range of 35% to 40% of the subsequent year's budgeted expenditures. Based on that policy, the unassigned fund balance of \$6,031,039 represents approximately 43.2% of the subsequent year's budgeted expenditures. Restricted fund balance increased due to the issuance of bonds for the purchase of a fire truck, which will be expended in 2021, an increase in unspent MSA funds for future street projects, and an increase in the amount restricted for the community ice arena. Unassigned fund balance, which is the remaining fund balance not included in nonspendable, restricted, or assigned, increased based on fund activity and changes in the other categories of fund balance.

General Fund Balance



**City of Fergus Falls
Financial Analysis**

General Fund

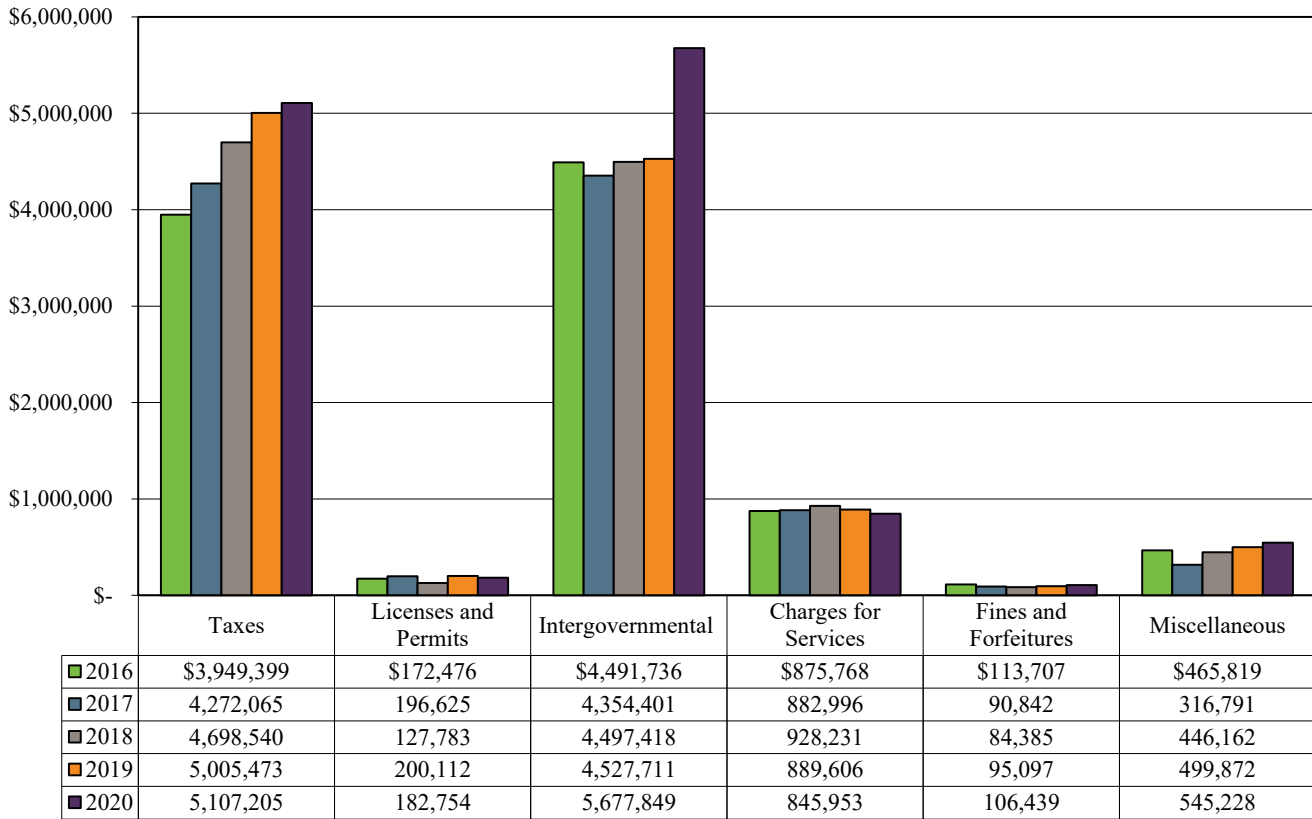


General Fund revenues increased from 2019 by \$1,247,557, or 11.1%. Meanwhile, expenditures increased \$935,816, or 7.8%. As a result, expenditures exceeded revenues by \$463,380. The City also transferred amounts between funds. These amounts, along with the effects of the bond issuance, reported as other financing sources and uses, combined with revenue and expenditure activity resulted in an increase in General Fund balance of \$1,526,895, as discussed earlier. Further detailed explanations regarding variances will follow in subsequent charts.

City of Fergus Falls Financial Analysis

General Fund Revenues

General Fund Revenues



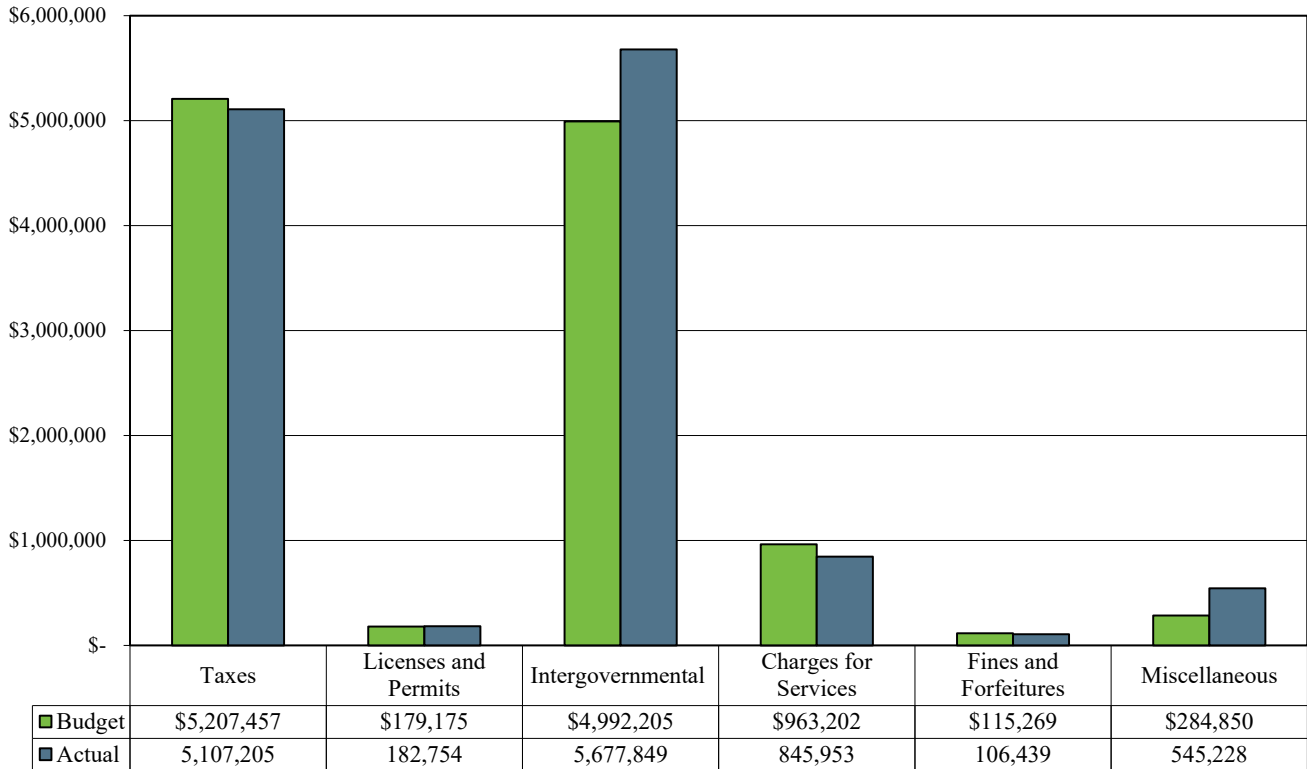
As noted earlier, General Fund total revenues increased in 2020 by approximately 11.1%. The most significant increase in revenues was in intergovernmental, which increased \$1,150,138 due the receipt of \$1,035,703 in federal CARES funds and an increase in Local Government Aid formula. Taxes revenue increased by \$101,732 due to an increase in the property tax levy. All other sources were consistent with the prior year.

City of Fergus Falls Financial Analysis

General Fund Revenues (Continued)

The following graph shows the actual General Fund revenues and the corresponding budgeted amounts.

**General Fund Revenues
Budget and Actual**



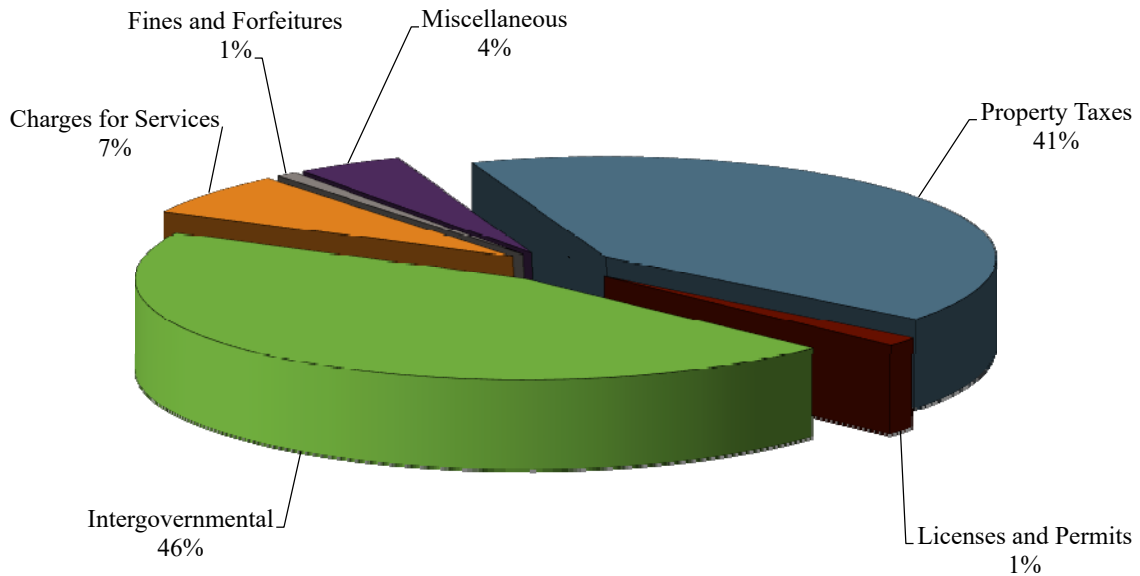
In total, revenues exceeded the budgeted total by \$723,270, or 6.2%. The largest variance was in intergovernmental revenues, which were \$685,644 over budget primarily due to the City not budgeting for the \$1,035,703 federal CARES grant. The City also received a higher amount of municipal state aid for streets than was budgeted, partially offset by budgeting for a grant for the dairy property that will not be received until 2021. Miscellaneous revenues were \$260,378 over budget due to budgeting conservatively for investment earnings. Charges for services revenues were \$117,249 under budget due to fewer parks and recreation programming than anticipated in 2020 due to COVID-19. Taxes were \$100,252 under budget due to receiving less hotel tax revenue due to COVID-19. All other categories were similar to the budgeted amounts.

The charts on the following page illustrate the sources of General Fund revenues by percentage of total revenue for 2020 and 2019. Property taxes and intergovernmental revenues make up the largest portions of revenue. Property taxes were 41% and 45% of revenue in 2020 and 2019, respectively, while intergovernmental revenues were 46% and 40% of revenue in 2020 and 2019, respectively. This shift was due to the receipt of federal CARES funding in 2020 as discussed previously.

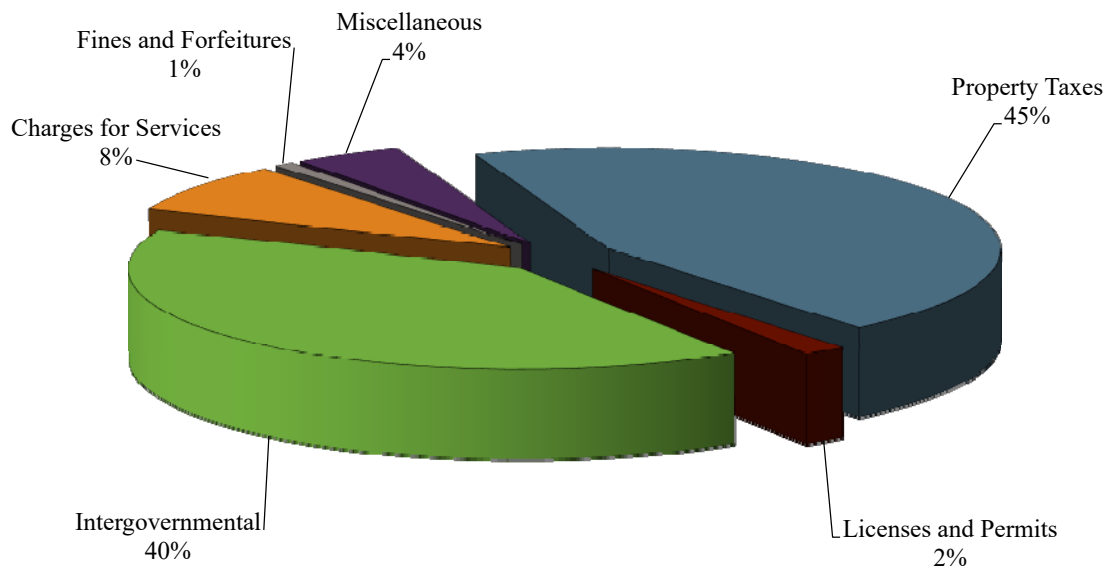
City of Fergus Falls Financial Analysis

General Fund Revenues (Continued)

General Fund Revenues 2020



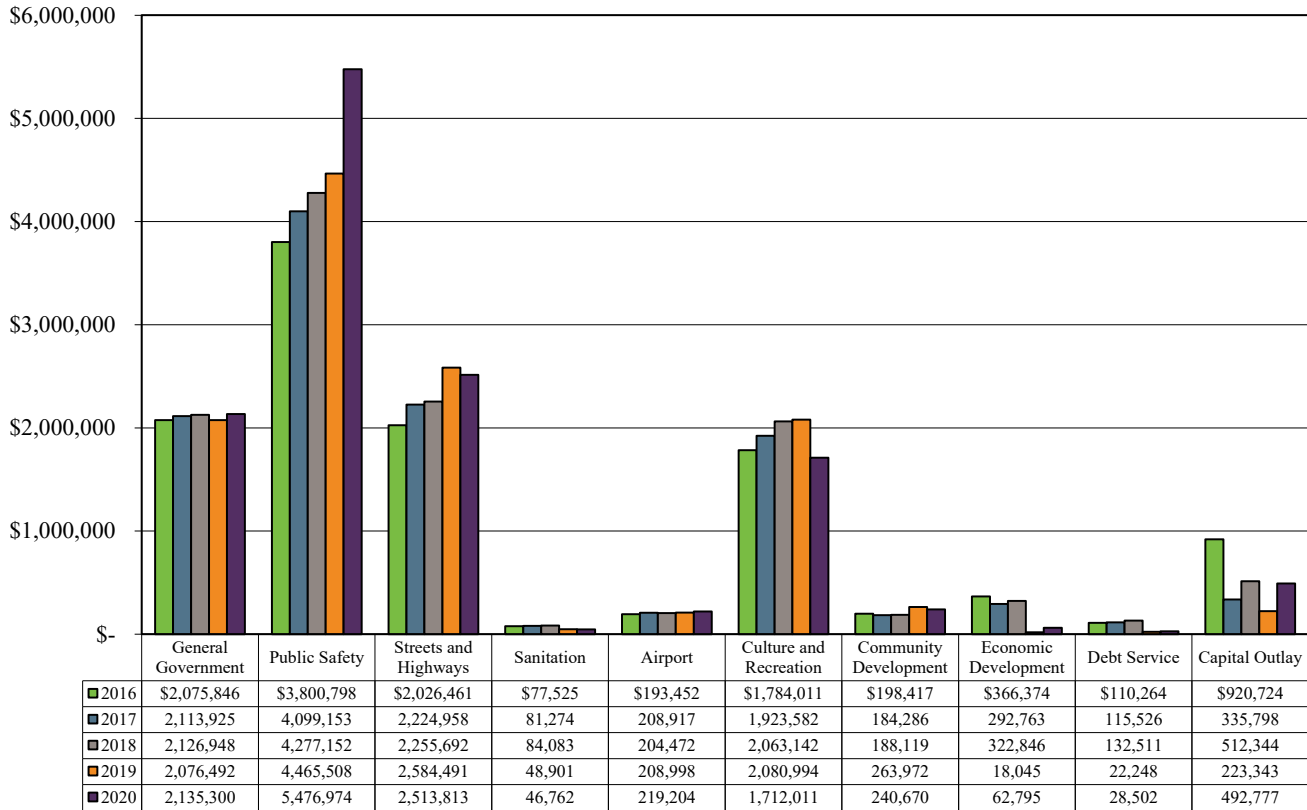
General Fund Revenues 2019



City of Fergus Falls Financial Analysis

General Fund Expenditures

General Fund Expenditures

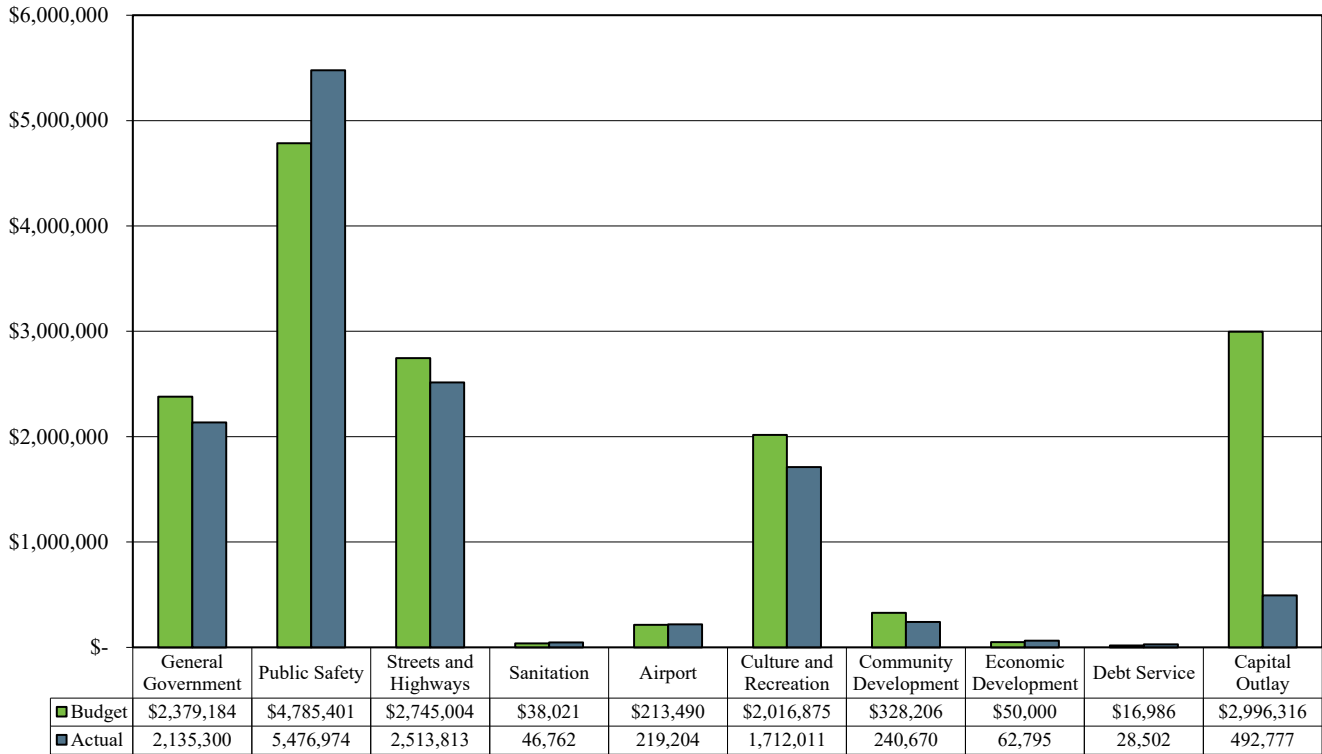


As discussed earlier, total expenditures increased 7.8%. Public safety expenditures increased \$1,011,466 primarily within the emergency management department due to the spending of the federal CARES funding. Culture and recreation expenditures decreased \$368,983 due to a decreased number of employees in 2020 and decreased programming due to COVID-19. Capital outlay expenditures increased \$269,434 due to the purchase of a new main frame computer and other equipment during 2020. Other program spending was consistent from 2019 to 2020.

**City of Fergus Falls
Financial Analysis**

General Fund Expenditures (Continued)

**General Fund Expenditures
Budget and Actual**



In total, General Fund expenditures were \$2,640,675, or 17.0%, under budget.

The most significant variance occurred in capital outlay expenditures, which were \$2,503,539 under budget. The City is anticipating purchasing equipment and completing improvements in future years. The City's budget practices allow for carryover of unspent capital outlay budgets for future capital purchases. This practice reduces the need for debt issuance for significant capital expenditures. Funds carried over to subsequent years are included in General Fund assigned fund balances.

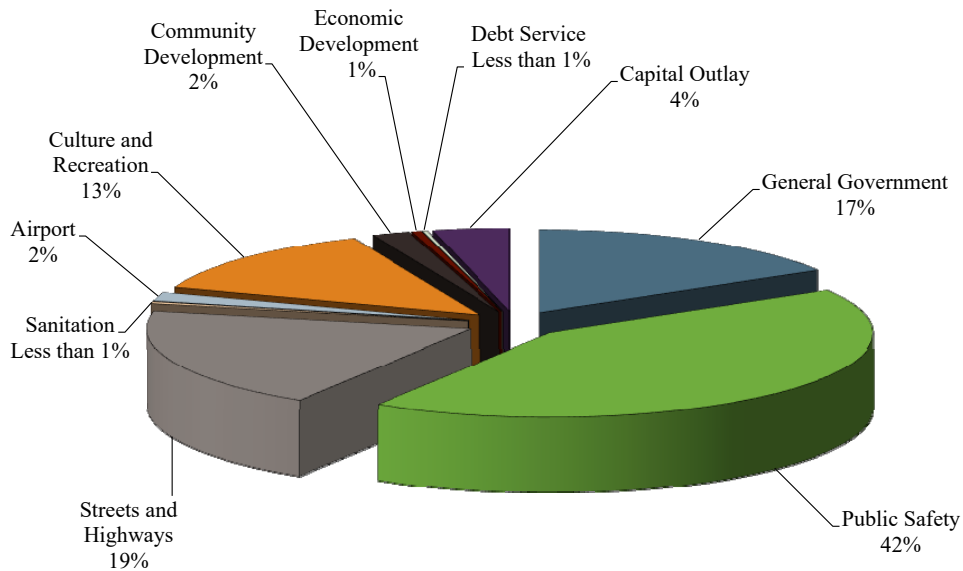
General government expenditures were \$243,884 under budget due to budgeting contingency funds that went unused. Street and highways expenditures were \$231,191 under budget due to budgeting for various street projects that did not occur in 2020 and less snow plowing being necessary than was included in the budget. Culture and recreation expenditures were \$304,864 under budget due to a decreased number of employees in 2020 and decreased programming due to COVID-19. Partially offsetting these variances, public safety expenditures were \$691,573 over budget due the spending of the federal CARES grant, partially offset by a vacant police position. All other expenditure categories came in near budgeted expectations.

City of Fergus Falls Financial Analysis

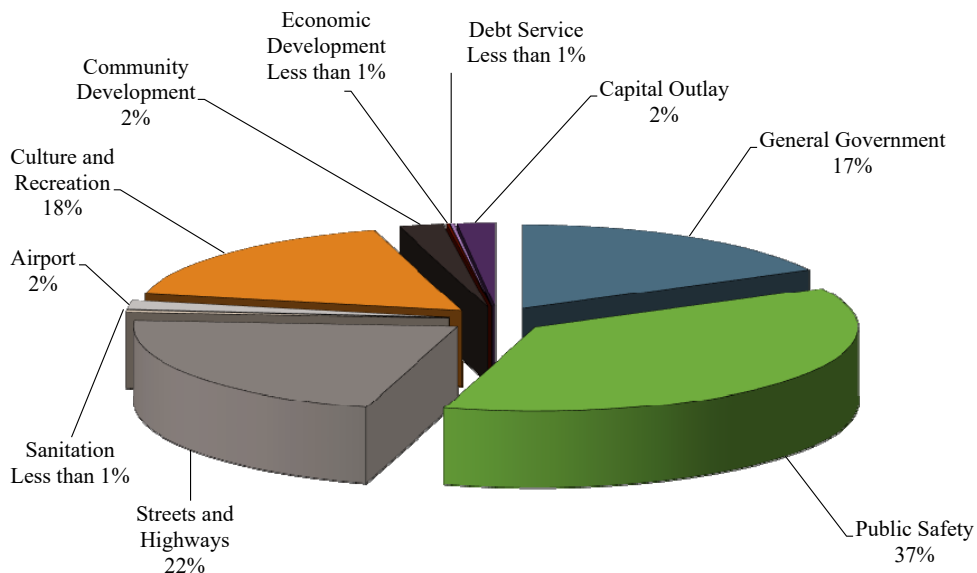
General Fund Expenditures (Continued)

The charts below illustrate the allocation of General Fund expenditures by program. The allocation of total expenditures by program has been stable over the last two years, which is an indication of sound budgeting and planning practices, which allow the City to avoid major fluctuations or swings in spending levels between programs. The increase in public safety allocation in 2020 was due the spending of the federal CARES funds as discussed previously.

General Fund Expenditures 2020



General Fund Expenditures 2019



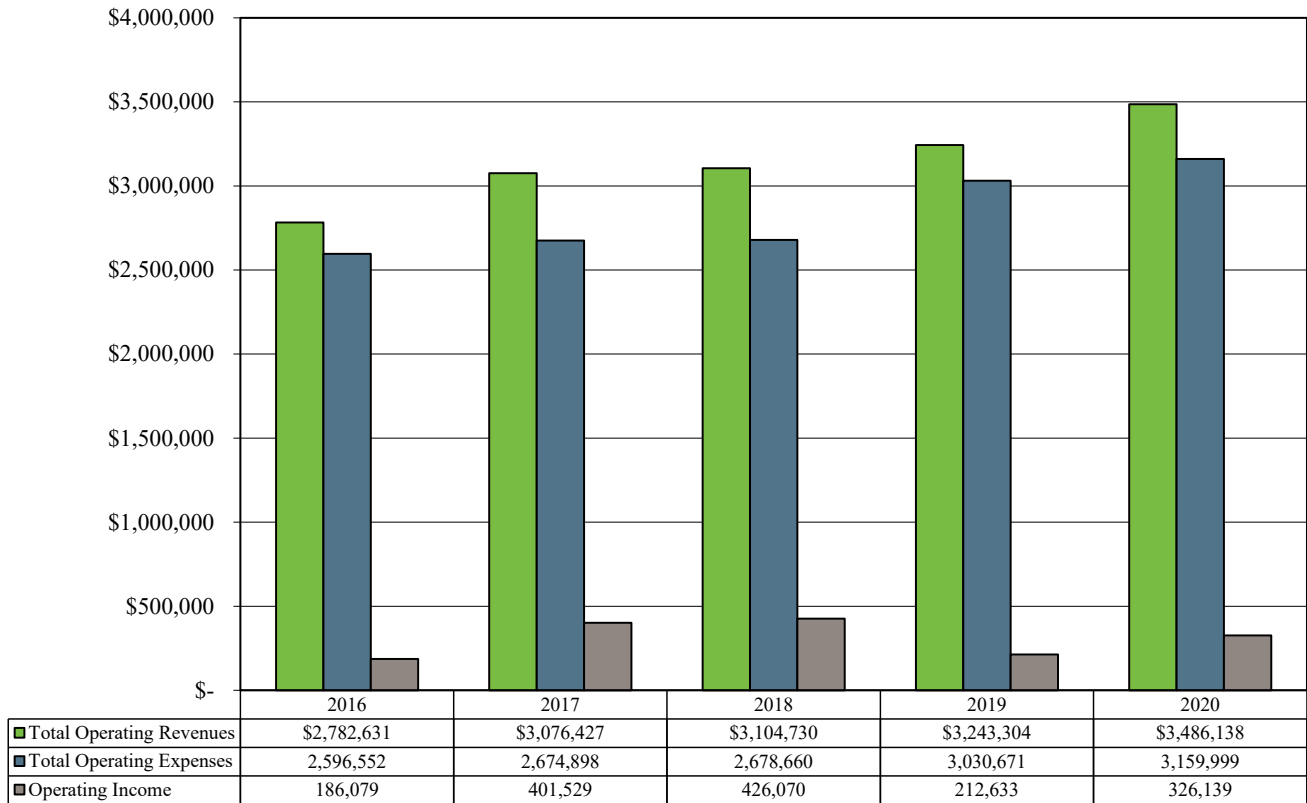
City of Fergus Falls Financial Analysis

Enterprise Funds

The graphs below and on the following pages illustrate the current operations of the Waste Management, Sewage Disposal, Water Department, Storm Water, and Municipal Liquor Funds. Each of these funds reported operating income in 2020, which indicates the funds have established rates sufficient to help cover future replacement of capital assets. We recommend the City continue to monitor operations of each enterprise fund to ensure continued positive operating results.

Waste Management Fund

Waste Management Fund



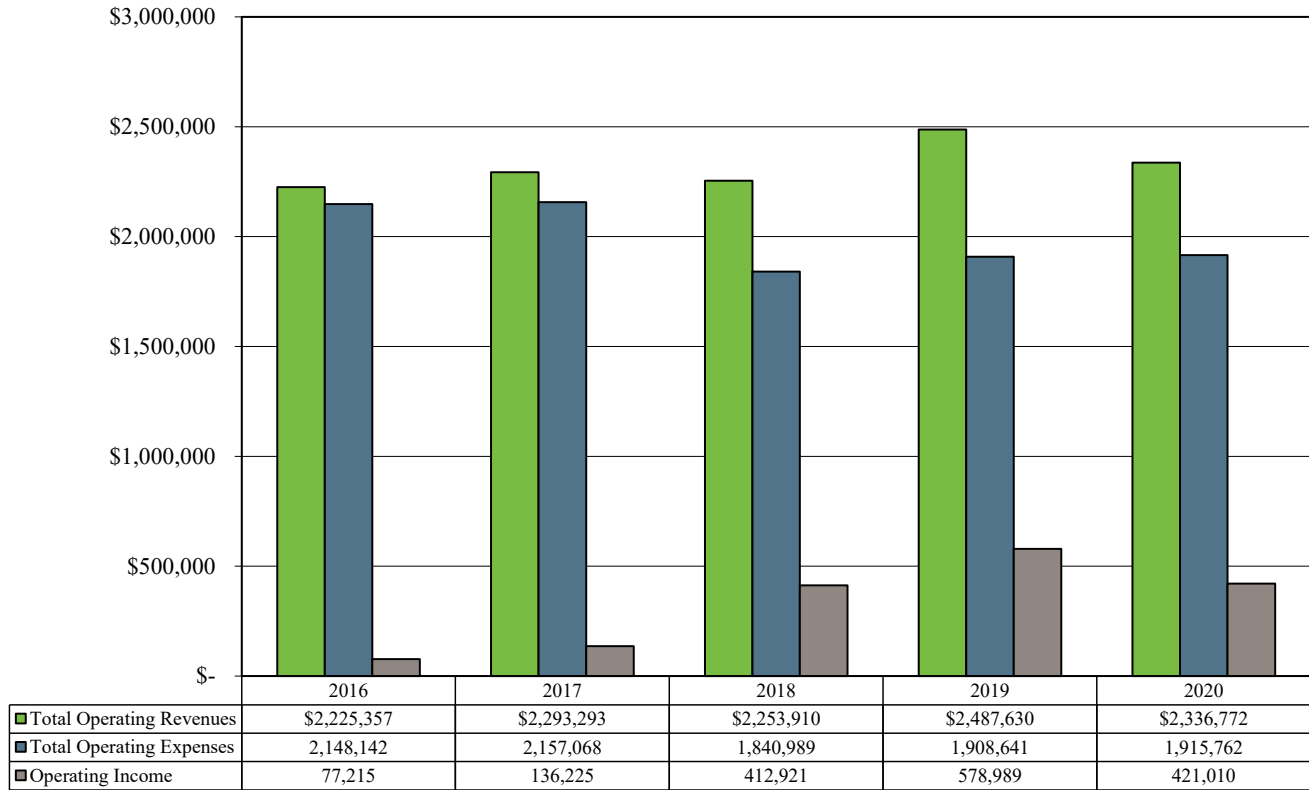
The Waste Management Fund experienced operating income of \$326,139 in 2020. The Fund experienced an operating income in each of the five years presented.

In 2020, operating revenues increased \$242,834, or 7.5%, while operating expenses increased \$129,328, or 4.3%. The increase in operating revenues was due to higher usage at the landfill and rate increases. Operating expenses increased due to an increase in fees from Ottertail County, an increase in hours worked, and a severance payout in 2020.

**City of Fergus Falls
Financial Analysis**

Sewage Disposal Fund

Sewage Disposal Fund

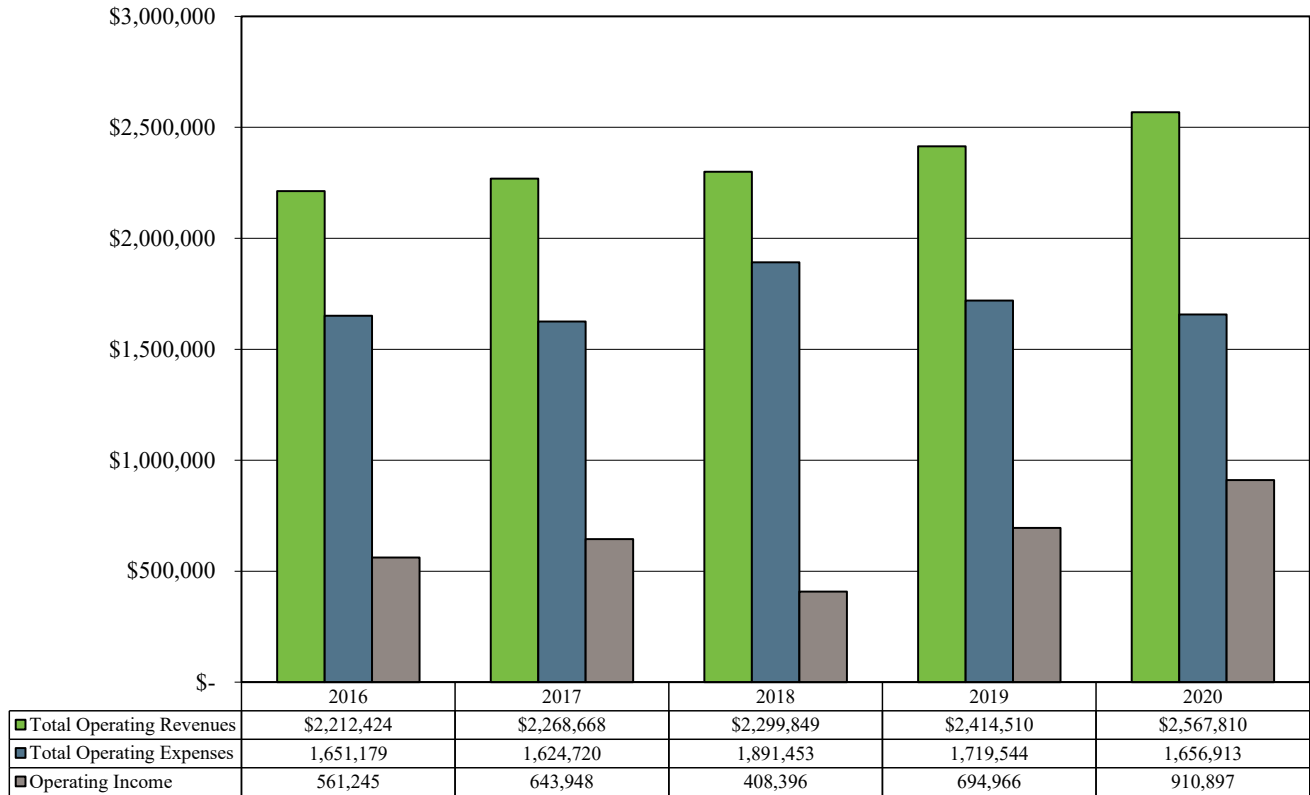


The Sewage Disposal Fund reported operating income in each of the last five years. Operating revenues decreased \$150,858, or 6.1%, while operating expenses increased \$7,121, or 0.4%. Operating revenues decreased due to additional leachate treatment in 2019. Operating expenses were consistent with the prior year.

**City of Fergus Falls
Financial Analysis**

Water Department Fund

Water Department Fund

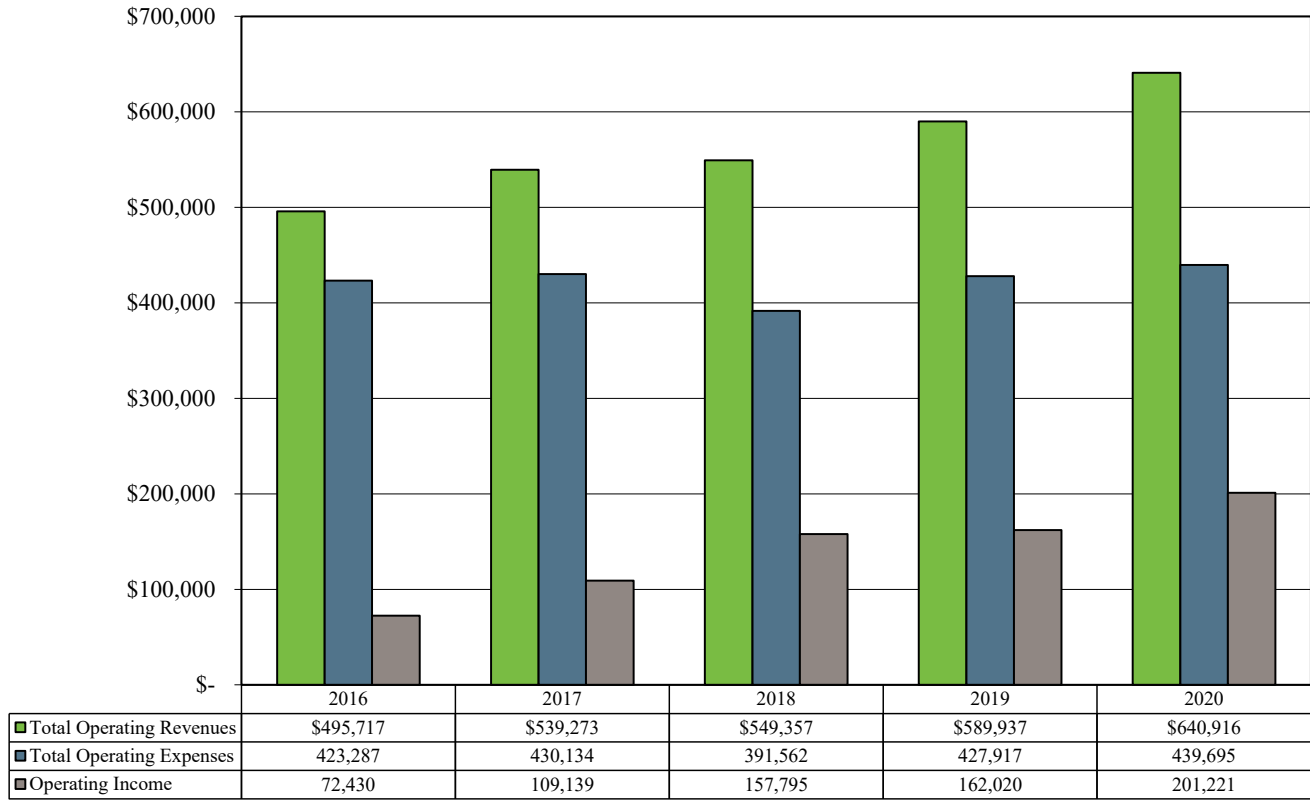


In 2020, operating revenues for the Water Department Fund increased \$153,300, or 6.3%, as a result of increased rates. Operating expenses decreased \$62,631, or 3.6%, due to negative pension expense in 2020 for the allocation of the City’s proportionate share of the PERA net pension liability.

**City of Fergus Falls
Financial Analysis**

Storm Water Fund

Storm Water Fund

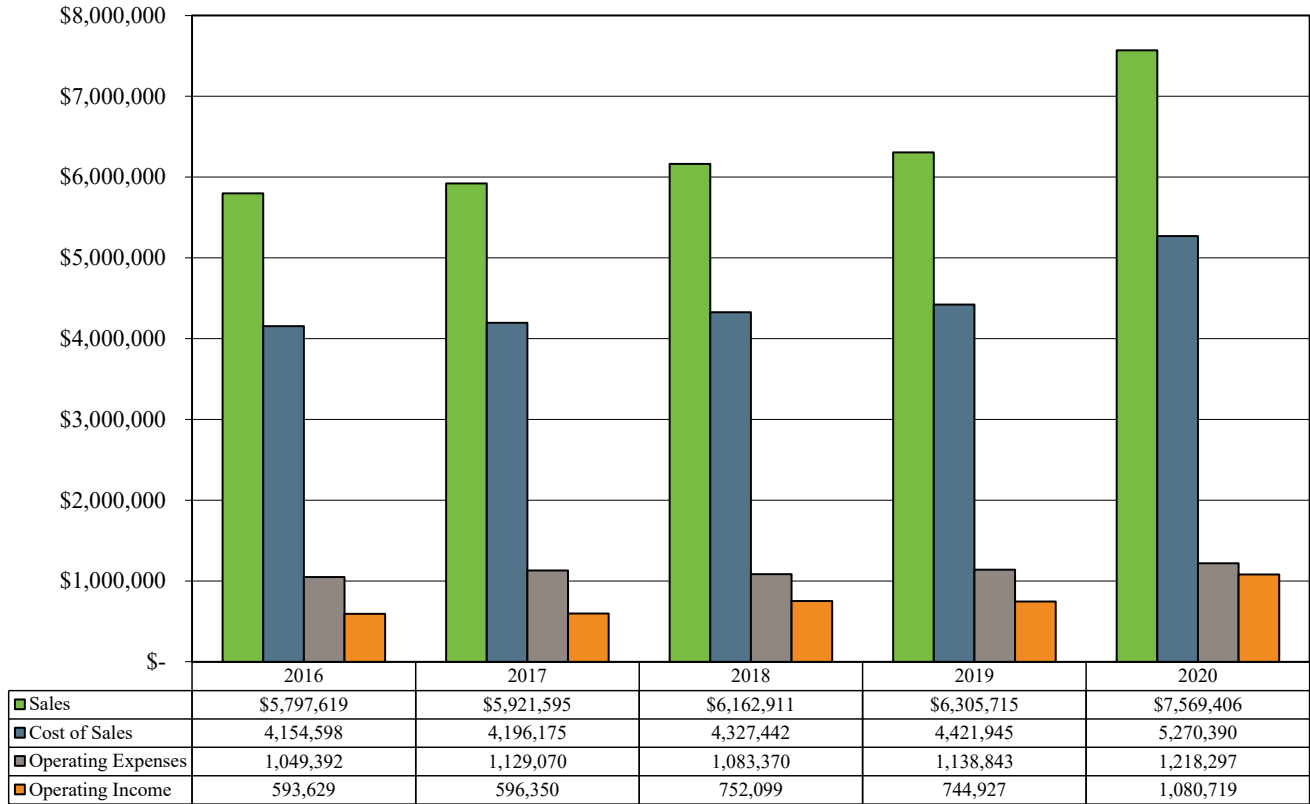


Operating revenues continue to increase in the Storm Water Fund. Operating revenues increased \$50,979, or 8.6%, due to an increase in the rates and also an increase in the number of accounts. Operating expenses increased \$11,778, or 2.8%, from 2019 due to an increase in professional fees paid in 2020.

**City of Fergus Falls
Financial Analysis**

Liquor Fund

Liquor Fund



Sales for the Liquor Store Fund have increased each of the last five years. In 2020, sales increased \$1,263,691, or 20.0%, while costs of sales increased \$848,445, or 19.2%. Because the City's sales increased at a higher rate than cost of sales, the gross profit percentage of the Liquor Store Fund increased as illustrated on the following page. Operating expenses increased \$79,454 or 7.0% due primarily to increased staffing costs due to the increased activity. Operating income totaled \$1,080,719 in 2020.

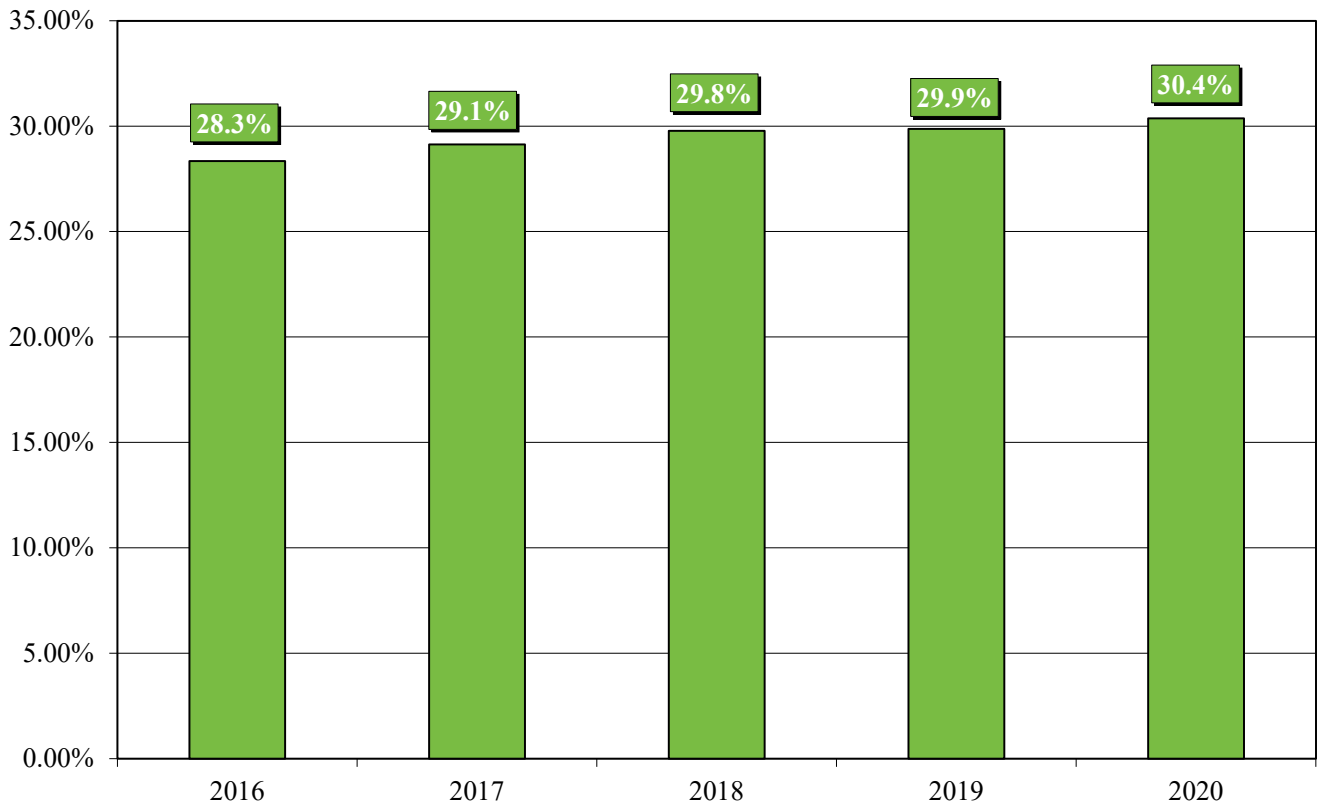
After accounting for net nonoperating revenues of \$42,277, which primarily consists of investment income, the fund was able to transfer \$603,530 to the General Fund to reduce the City's property tax burden.

**City of Fergus Falls
Financial Analysis**

Liquor Fund (Continued)

Shown below are charts depicting the overall gross percentage and the activity for both the West Side Liquor Store and the East Side Liquor Store. The West Side Liquor Store experienced operating income of \$997,710, compared to the East Side Liquor Store with operating income of \$83,009. Gross profit percentages were calculated for the West and East stores at 30.6% and 29.6%, respectively.

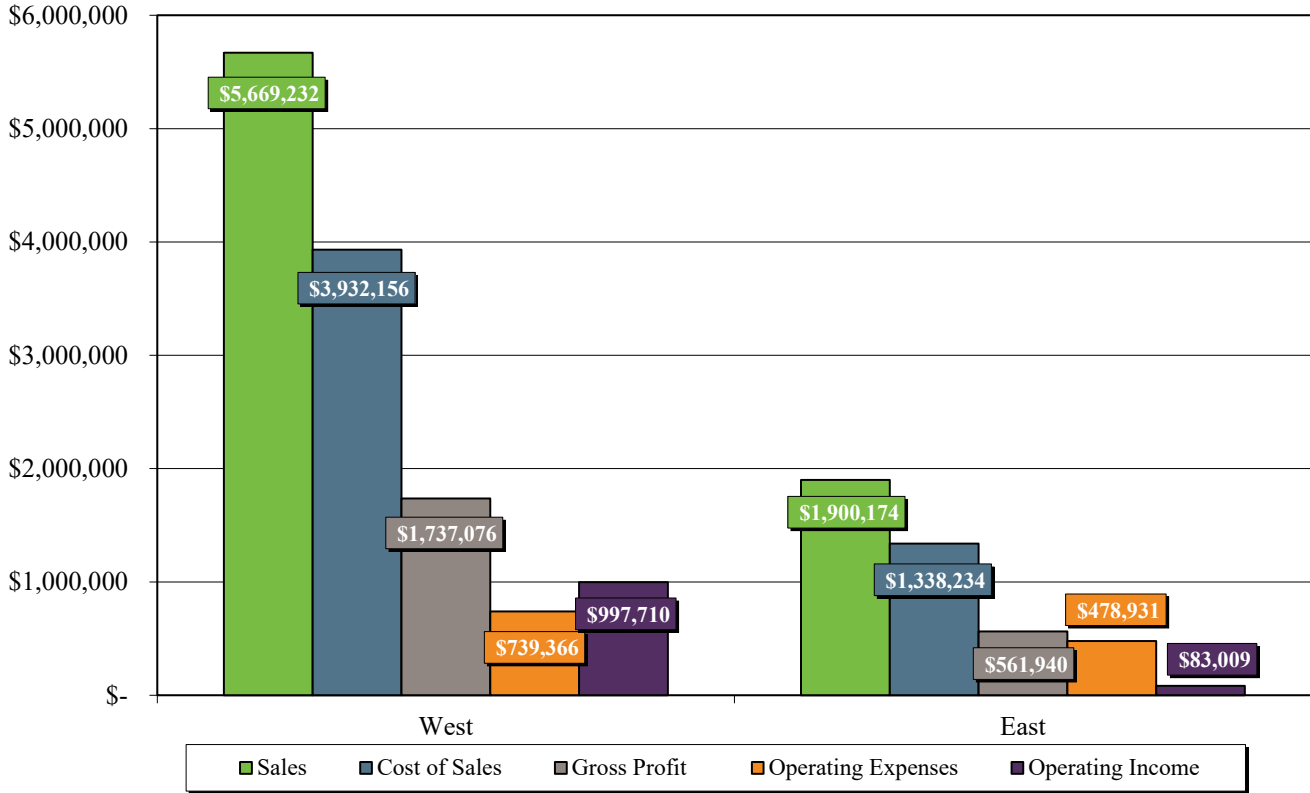
Liquor Store Fund - Gross Profit Percentage



**City of Fergus Falls
Financial Analysis**

Liquor Fund (Continued)

Liquor Store Fund - Store Comparison

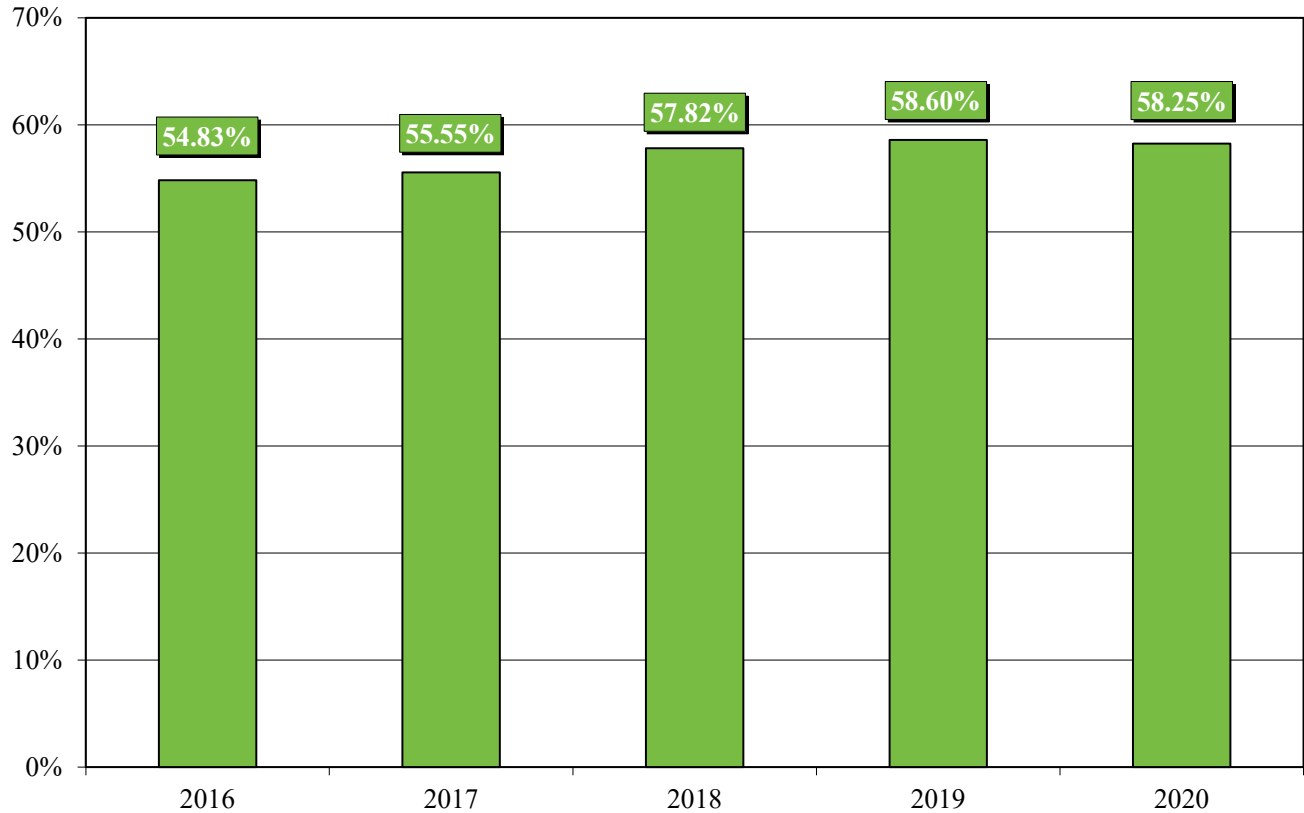


City of Fergus Falls Financial Analysis

Tax Capacity And Market Value

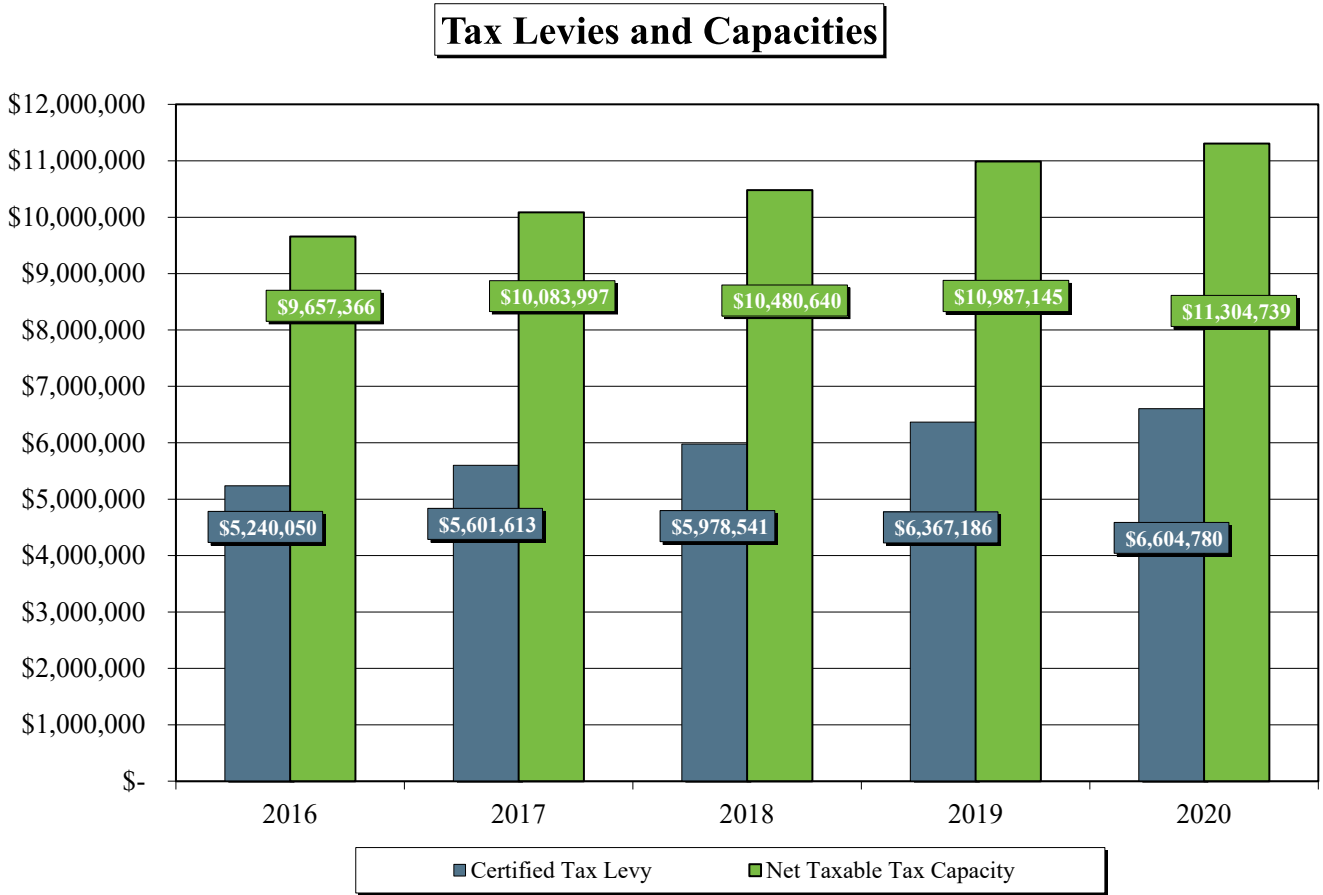
The next two graphs present tax capacity rates, net taxable tax capacity, and tax levy information for the City for the past five years. The City's net taxable tax capacity has increased each year since 2016 as has the City's levy. The City's tax capacity rate increase from 2016 to 2019 and decreased in 2020.

Tax Capacity Rate



**City of Fergus Falls
Financial Analysis**

Tax Capacity and Market Value (Continued)

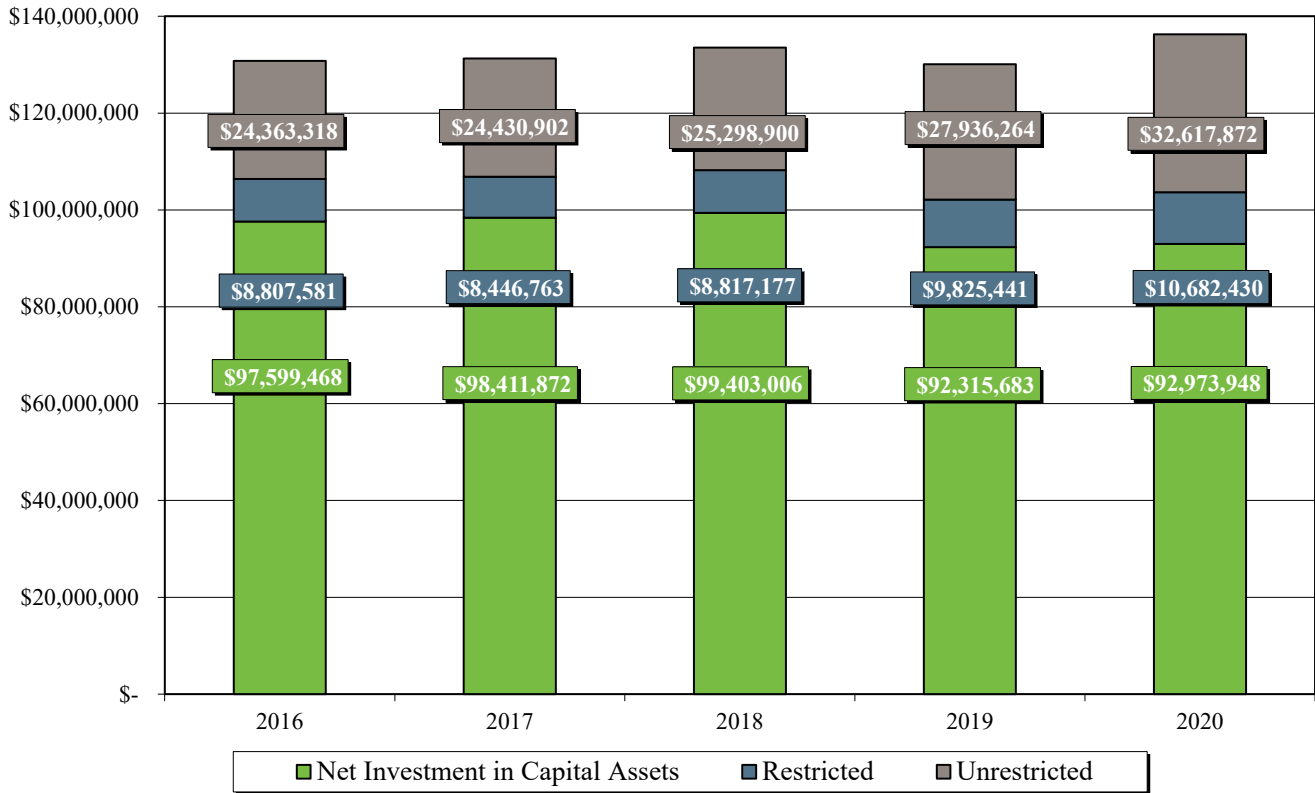


City of Fergus Falls Financial Analysis

Statement of Net Position

The following graph shows the components of total net position found in the Statement of Net Position. Net position increased \$6,196,862, or 4.8%, from 2019 across all categories.

Components of Net Position



Net investment in capital assets increased due to the City’s continued investment in capital assets and paying down debt issued to acquire capital assets faster than the assets are being depreciated. Restricted net position increased due to an increase in amounts restricted for debt service payments, the CBHH renewal and replacement, street maintenance, the community ice arena, and the library expansion project. Unrestricted net position increased due to the positive operating results of the City.

City of Fergus Falls Emerging Issue

Executive Summary

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and their applicability to your City.

Accounting Standard Update – GASB Statement No. 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

**City of Fergus Falls
Emerging Issue**

Accounting Standard Update – GASB Statement No. 87 – *Leases* (Continued)

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for fiscal year beginning after June 15, 2021.

Information provided above was obtained from www.gasb.org.

**City of Fergus Falls
Otter Tail County, Minnesota**

**Schedule of Expenditures of Federal Awards and
Reports on Compliance with
Government Auditing Standards, Uniform Guidance, and
Legal Compliance**

December 31, 2020



**City of Fergus Falls
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City of Fergus Falls
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Grant Program Title	Federal CFDA Number	Expenditures
Federal Highway Administration, Department of Transportation		
Passed through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 24,645
Department of Transportation		
Passed through Otter Tail County		
Highway Safety Cluster		
State and Community Highway Safety	20.600	6,005
National Priority Safety Programs	20.616	6,425
Total Highway Safety Cluster		<u>12,430</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	12,416
Passed through Minnesota Department of Transportation:		
Airport Improvement Program	20.106	575,716
Total U.S. Department of Transportation		<u>625,207</u>
Department of Treasury		
Passed through Minnesota Management and Budget		
COVID-19 Coronavirus Relief Fund	21.019C	1,035,703
Passed through Otter Tail County		
COVID-19 HAVA Election Security Grants	90.404	1,890
Total U.S. Department of Treasury		<u>1,037,593</u>
Department of Justice		
Received Directly		
Bulletproof Vest Partnership Program	16.607	2,700
Department of Housing and Urban Development		
Passed through Minnesota Employment and Economic Development		
Small Cities Development Program	14.228	18,233
Institute of Museum and Library Services		
Passed through Minnesota Department of Education		
Grants to States Program	45.310	9,717
Environmental Protection Agency		
Passed through Minnesota Department of Employment and Economic Development		
Brownfields Assessment and Clean-up Cooperative Agreements	66.818	<u>1,066,475</u>
Total federal expenditures		<u>\$ 2,759,925</u>

City of Fergus Falls
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Fergus Falls, Minnesota and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the regulatory basis financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

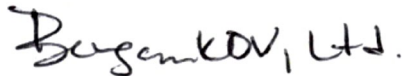
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



St. Cloud, Minnesota
May 24, 2021

**Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance In Accordance
With the Uniform Guidance**

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

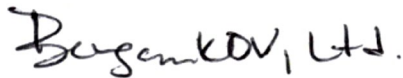
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 24, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



St. Cloud, Minnesota
May 24, 2021

**City of Fergus Falls
Schedule of Findings and Questioned Costs**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? 	<p>No</p> <p>Yes, Audit Finding 2020-001</p>
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? 	<p>No</p> <p>No</p>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

CFDA No.:	21.019C
Name of Federal Program or Cluster:	COVID-19 CARES Funding
CFDA No.:	66.818
Name of Federal Program or Cluster:	Brownfields Assessment and Clean-up Cooperative Agreements
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

**City of Fergus Falls
Schedule of Findings and Questioned Costs**

SECTION II – FINANCIAL STATEMENT FINDING

Audit Finding 2020-001

Criteria:

Internal control that supports the City's ability to initiate record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended December 31, 2020, the City and its discretely presented component units had a lack of segregation of accounting duties due to a limited number of office employees.

Management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Director has the ability to post entries to the general ledger.
- The Payroll Officer completes some department heads' timecards, enters payroll information, calculates payroll, enters the information into the payroll system, prints payroll checks, and submits direct deposits.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Views of Responsible Officials and Planned Corrective Action:

The City has determined the costs of hiring additional staff for the purpose of further segregation of accounting duties exceeds the estimated benefits which could be realized. City staff will continue to monitor internal controls and implement necessary changes.

**City of Fergus Falls
Schedule of Findings and Questioned Costs**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

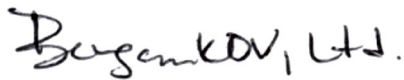
Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 24, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they related to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



St. Cloud, Minnesota
May 24, 2021